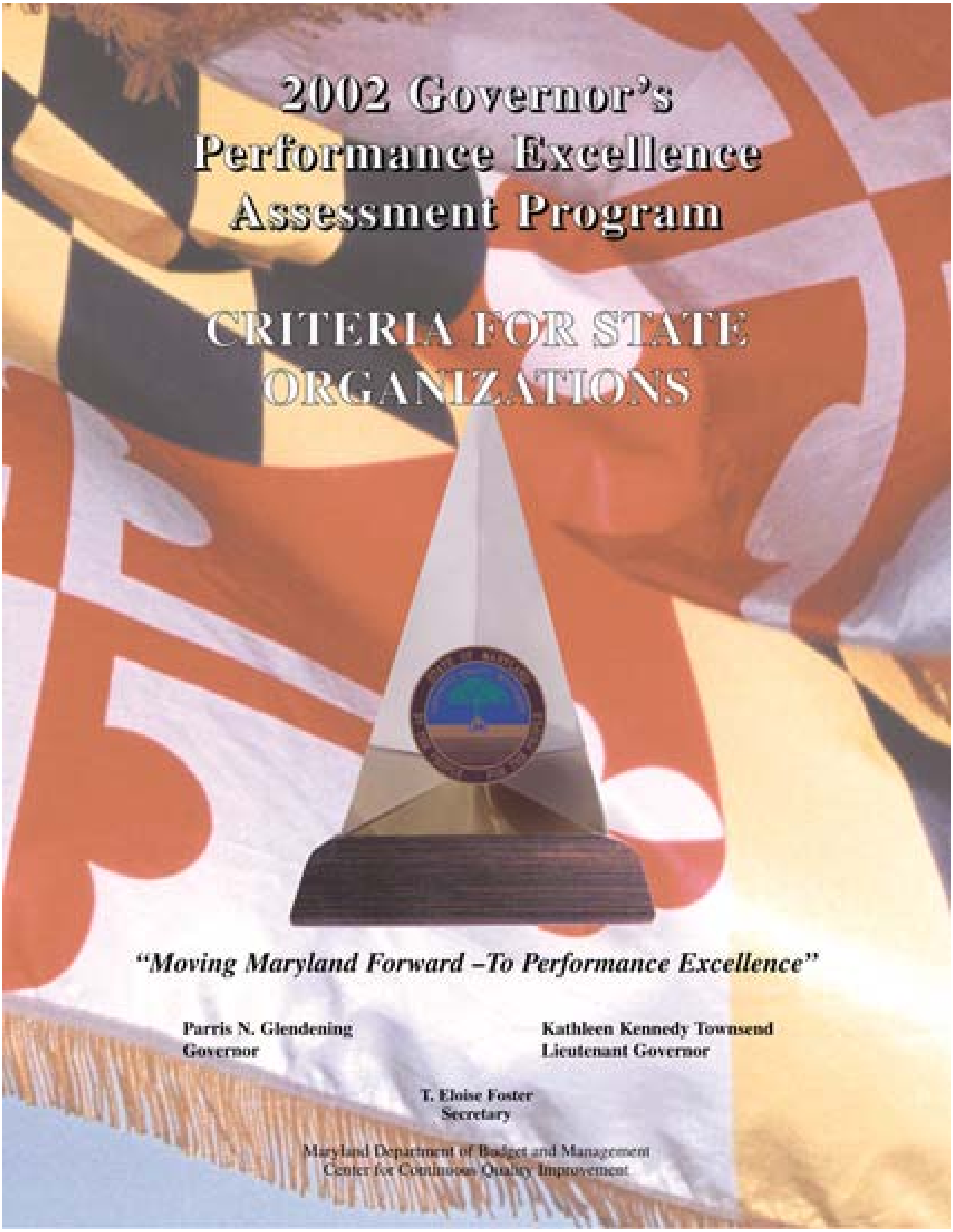

2002 Governor's Performance Excellence Assessment Program

CRITERIA FOR STATE ORGANIZATIONS

"Moving Maryland Forward –To Performance Excellence"

Parris N. Glendening
Governor

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Lieutenant Governor

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Secretary

Maryland Department of Budget and Management
Center for Continuous Quality Improvement

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Intent to Participate Forms due by July 18, 2002
Recognition Applications due by 4:00 p.m. September 19, 2002
Website: www.dbm.state.md.us/ccqi
We are easy to reach. Our e-mail address is asutton@dbm.state.md.us
Telephone (410) 767-4754

A MESSAGE FROM THE GOVERNOR

Since 1993, the Governor's Performance Excellence Assessment Program (GPEAP) has recognized dozens of State organizations that have continually improved the quality of their services and product delivery to the citizens of Maryland. GPEAP is a program that promotes a culture of performance excellence and enables State organizations to develop a results-based approach to allocation of its resources.

I am glad to have this opportunity to express my appreciation to our State organizations that have participated in the 2001 GPEAP, at the level of Award/Recognition and Peer Assessment:

Award/Recognition Assessment

- Cecil County Department of Social Services, Department of Human Resources
- Motor Vehicle Administration, Maryland Department of Transportation
- State Highway Administration, Maryland Department of Transportation
- Western Maryland Hospital Center, Department of Health and Mental Hygiene

Peer Assessment

- Department of Human Resources
- Division of Pretrial Detention and Pretrial Release Services, Department of Public Safety and Correctional Services

The paramount goal for State government is to continuously improve in efficiency and effectiveness by becoming more responsive and accessible to the citizens we serve. To attain this goal, the Executive Department has promoted a "Maryland Management Model," which encompasses Managing For Results (MFR), goal-oriented budget management, Continuous Quality Improvement (CQI), and the Performance Evaluation and Planning (PEP) Program.

These interrelated quality management tools comprise the core of the GPEAP process. Together they address the needs of the customer and stakeholder, involve a planning process aimed at achieving optimal results, and provide accountability through performance standards, indicators and measures.

The Governor's Performance Excellence Assessment Program uses as its basis the Malcolm Baldrige National Quality Program criteria for organizational performance excellence. Many State organizations can attest to the significant benefits derived from participation in the GPEAP process. For example, Cindy Pellegrino, Director/CEO of the Western Maryland Hospital Center, states that, "Since we began participating in

GPEAP, our organization's leaders have put the Baldrige Criteria to use in our strategic planning in order to achieve greater alignment of customer service, information analysis, human resource development, and operational process. Not only are we are more results-focused, we are looking for and getting actual results. We're not just spinning our wheels with time-consuming actions." The Motor Vehicle Administration staff states the following about the benefits of the GPEAP Program: "The application process in itself allowed the MVA to conduct an assessment of its strengths and weaknesses (which might not have otherwise occurred). The GPEAP team, composed of examiners from the private and the public sectors, provided structured feedback and helped us to build a stronger foundation for sustained quality improvement."

As indicated by the statements above, the Baldrige Criteria equips managers to target gaps in key performance areas, set priorities for improvement, and introduce new and better ways to cooperate with customers and partners. In addition, the use of MFR strategies enables organizational managers to more clearly define and document their agencies' resource needs. And, most importantly, the GPEAP process gives employees the opportunity to have a more complete understanding and appreciation of their organization's mission, goals, objectives, and performance standards.

In summary, the Baldrige Criteria has been used by thousands of business organizations throughout the United States, both public and private, to improve customer service and their standing in their communities and the marketplace. By participating in the Governor's Performance Excellence Assessment Program, State organizations demonstrate a commitment to the citizens of Maryland, their employees and stakeholders.

Every year presents us all with many challenges--opportunities for improvement. Let us continue to strive together to make Maryland a better place to visit, live, work and raise our families.

Parris N. Glendening
Governor

The Governor's Performance Excellence Assessment Program for State Organizations is administered by the Center for Continuous Quality Improvement, a unit of the Department of Budget and Management. The program is authorized by the Governor's Executive Order No. 01.01.1995.26. The program encourages organizations to assess their progress toward performance excellence and recognizes those that demonstrate the principles of continuous improvement with measurable results. This document describes the program, the application process and the criteria used to evaluate applicants.

PURPOSE

THE PERFORMANCE EXCELLENCE ASSESSMENT

- Provides a systematic, disciplined approach to deal with the dynamics of change by providing a framework for conducting assessments, training, and performance improvement planning.
- Identifies gaps between agency performance and customer expectations/satisfaction.
- Provides a system to measure improvement progress.
- Recognizes Maryland Government organizations that have sought to improve overall performance and capabilities, and show demonstrated results in providing high-quality products and services to their customers.
- Promotes sharing of the best management techniques, strategies and performance practices among all Maryland Government organizations.
- Provides models for other organizations, individuals and teams to assess their performance.

HISTORY

The Governor's Quality Achievement and Recognition Program was created in 1993. At that time, Total Quality Management (TQM) was promoted as the strategic integrated management system for achieving internal and external customer satisfaction. This involved ALL managers and employees and used powerful tools and techniques to continuously improve an organization's services and processes in Maryland State Government. In 1995, the Total Quality Management name was changed to Continuous Quality Improvement (CQI), but the basic philosophies and practices remained unchanged; they are still valid and continue to be used successfully by State agencies today.

In 1997, Governor Parris N. Glendening introduced Maryland Managing for Results (MFR), a strategic planning initiative, and the Maryland Performance Planning and Evaluation Process (PEP), the State's employee evaluation system. These management tools work in concert with each other to assist organizations in achieving performance excellence. Also in 1998, the Criteria Steering Committee of the Governor's Quality Council used the Malcolm Baldrige National Quality Award performance assessment criteria as their guide in developing the State's criteria for evaluating organizational maturity.

In 2000, the State adopted the Maryland Management Model, which formally establishes the relationships among Continuous Quality Improvement (CQI), Managing for Results (MFR), Budgeting, and the Performance Evaluation and Planning Program (PEP). This dynamic model captures the interactions between these complementary management tools, establishing a clear focus on addressing customer and stakeholder needs, obtaining planned results, and providing for accountability through performance measurements.

The assessment instrument is based upon performance excellence criteria aligned with the Baldrige Criteria, and adapted through a public-private partnership between State agencies and a team of private industry and federal government Examiners. Applicants are expected to provide information and data on the organization's key processes and business results. The information and data presented must demonstrate that the applicants' approach is effective and yields the desired outcome.

The criteria are designed to permit diagnosis of an organization's overall performance management system, as well as to serve as a reliable basis for recognition. Each participating agency should decide: (1) which specific tools, techniques, technologies, systems, measures, or starting points to apply; (2) whether divisions of quality, planning, or other functions should exist; and (3) how the agency should be managed.

CHANGES FROM THE 2001 CRITERIA

The Criteria for Performance Excellence have evolved significantly over time to help businesses address a dynamic marketplace, focus on strategy-driven performance, and manage for results that balance the needs of all stakeholders. The Criteria have continually progressed toward a systems perspective of overall organizational performance management.

Each year, the decision whether to revise the Criteria must balance two contrasting considerations. On one hand, there is a need to maintain Criteria that are at the leading edge of validated management practice to help users address the increasingly complex challenges they face; on the other hand, there is a desire to stabilize the Criteria to allow users to have continuity in their use of the Criteria. Recognizing the significant challenges associated with the changes in Categories 4 (Information and Analysis) and 6 (Process Management) made in the 2001 Criteria and the challenging systems perspective provided by linkage to the new revisions to the Criteria for 2002. In addition, no revisions were made to the Item Notes or Category and Item Descriptions.

The most significant changes in the Criteria book for 2002 are summarized as follows:

- The Glossary of Key Terms has been almost doubled in size.
- A new diagram has been added to describe the steps toward a mature process approach.

Minor wording improvements have been made in other sections of the Criteria book, with the sections specifically mentioned above excluded from any changes.

Glossary of Key Terms

In total, 19 new words have been added to the glossary. Several of these words often are used in groupings:

- basic requirements, overall requirements, multiple requirements
- purpose, vision, mission, values
- goals, performance projections, benchmarks (previously defined)
- levels, trends
- alignment (previously defined), integration

The glossary definitions should help clarify the meaning of these terms and their relationship to the other terms within these groupings.

Process Approach Diagram (page 78)

- A diagram and brief descriptors have been provided to help Criteria users understand the growth in organizational maturity associated with progress from “reacting to problems” to an “integrated approach” to process management

2002 CRITERIA: CORE VALUES, CONCEPTS, AND FRAMEWORK

Criteria Purposes

The Criteria are the basis for organizational self-assessments, for making Awards, and for giving feedback to applicants. In addition, the Criteria have three important roles in strengthening U.S. competitiveness:

- to help improve organizational performance practices, capabilities, and results
- to facilitate communication and sharing of best practices information among U.S. organizations of all types
- to serve as a working tool for understanding and managing performance and for guiding planning and opportunities for learning

Criteria for Performance Excellence Goals

The Criteria are designed to help organizations use an integrated approach to organizational performance management that results in

- delivery of ever-improving value to customers, contributing to marketplace success
- improvement of overall organizational effectiveness and capabilities
- organizational and personal learning

Core Values and Concepts

The Criteria are built upon a set of interrelated Core Values and Concepts. These values and concepts, given below, are embedded beliefs and behaviors found in high-performing organizations. They are the foundation for integrating key business requirements within a results-oriented framework that creates a basis for action and feedback.

Visionary Leadership

An organization's senior leaders should set directions and create a customer focus, clear and visible values, and high expectations. The directions, values, and expectations should balance the needs of all your stakeholders. Your leaders should ensure the creation of strategies, systems, and methods for achieving excellence, stimulating innovation, and building knowledge and capabilities. The values and strategies should help guide all activities and decisions of your organization. Senior leaders should inspire and motivate your entire workforce and should encourage all employees to contribute, to develop and learn, to be innovative, and to be creative.

Senior leaders should serve as role models through their ethical behavior and their personal involvement in planning, communications, coaching, development of future leaders, review of organizational performance, and employee recognition. As role models, they can reinforce values and expectations while building leadership, commitment, and initiative throughout your organization.

Customer-Driven Excellence

Quality and performance are judged by an organization's customers. Thus, your organization must take into account all product and service features and characteristics and all modes of customer access that contribute value to your customers and lead to customer acquisition, satisfaction, preference, referral, and loyalty and to business expansion. Customer-driven excellence has both current and future components: understanding today's customer desires and anticipating future customer desires and marketplace offerings.

Value and satisfaction may be influenced by many factors throughout your customers' overall purchase, ownership, and service experiences. These factors include your organization's relationship with customers that help build trust, confidence, and loyalty.

Customer-driven excellence means much more than reducing defects and errors, merely meeting specifications, or reducing complaints. Nevertheless, reducing defects and errors and eliminating causes of dissatisfaction contribute to your customers' view of your organization and thus also are important parts of customer-driven excellence. In addition, your organization's success in recovering from defects and mistakes ("making things right for your customer") is crucial to retaining customers and building customer relationships.

Customer-driven organizations address not only the product and service characteristics that meet basic customer requirements but also those features and characteristics that differentiate products and services from competing offerings. Such differentiation may be based upon new or modified offerings, combinations of product and service offerings, customization of offerings, multiple access mechanisms, rapid response, or special relationships.

Customer-driven excellence is thus a strategic concept. It is directed toward customer retention, market share gain, and growth. It demands constant sensitivity to changing and emerging customer and market requirements and to the factors that drive customer satisfaction and retention. It demands anticipating changes in the marketplace. Therefore, customer-driven excellence demands awareness of developments in technology and competitors' offerings, as well as rapid and flexible response to customer and market requirements.

Organizational and Personal Learning

Achieving the highest levels of business performance requires a well-executed approach to organizational and personal learning. Organizational learning includes both continuous improvement of existing approaches and adaptation to change, leading to new goals and/or approaches. Learning needs to be embedded in the way your organization operates. This means that learning (1) is a regular part of daily work; (2) is practiced at personal, work unit, and organizational levels; (3) results in solving problems at their source ("root cause"); (4) is focused on sharing knowledge throughout your organization; and (5) is driven by opportunities to effect significant change and to do better. Sources for learning include employees' ideas, research and development (R&D), customers' input, best practice sharing, and benchmarking.

Organizational learning can result in (1) enhancing value to customers through new and improved products and services; (2) developing new business opportunities; (3) reducing errors, defects, waste, and related costs; (4) improving responsiveness and cycle time performance; (5) increasing productivity and effectiveness in the use of all resources throughout your organization; and (6) enhancing your organization's performance in fulfilling its public responsibilities and service as a good citizen.

Employees' success depends increasingly on having opportunities for personal learning and practicing new skills. Organizations invest in employees' personal learning through education, training, and other opportunities for continuing growth. Such opportunities might include job rotation and increased pay for demonstrated knowledge and skills. On-the-job training offers a cost-effective way to train and to better link training to your organizational needs and priorities. Education and training programs may benefit from advanced technologies, such as computer- and Internet-based learning and satellite broadcasts.

Personal learning can result in (1) more satisfied and versatile employees who stay with the organization, (2) organizational cross-functional learning, and (3) an improved environment for innovation.

Thus, learning is directed not only toward better products and services but also toward being more responsive, adaptive, and efficient—giving your organization marketplace sustainability and performance advantages.

Valuing Employees and Partners

An organization's success depends increasingly on the knowledge, skills, creativity, and motivation of its employees and partners.

Valuing employees means committing to their satisfaction, development, and well-being. Increasingly, this involves more flexible, high-performance work practices tailored to employees with diverse workplace and home life needs. Major challenges in the area of valuing employees include (1) demonstrating your leaders' commitment to your employees' success, (2) recognition that goes beyond the regular compensation system, (3) development and progression within your organization, (4) sharing your organization's knowledge so your employees can better serve your customers and contribute to achieving your strategic objectives, and (5) creating an environment that encourages risk taking.

Organizations need to build internal and external partnerships to better accomplish overall goals. Internal partnerships might include labor-management cooperation, such as agreements with unions. Partnerships with employees might entail employee development, cross-training, or new work organizations, such as high-performance work teams. Internal partnerships also might involve creating network relationships among your work units to improve flexibility, responsiveness, and knowledge sharing.

External partnerships might be with customers, suppliers, and education organizations. Strategic partnerships or alliances are increasingly important kinds of external partnerships. Such partnerships might offer entry into new markets or a basis for new products or services. Also, partnerships might permit the blending of your organization's core competencies or leadership capabilities with the complementary strengths and capabilities of partners.

Successful internal and external partnerships develop longer-term objectives, thereby creating a basis for mutual investments and respect. Partners should address the key requirements for success, means for regular communication, approaches to evaluating progress, and means for adapting to changing conditions. In some cases, joint education and training could offer a cost-effective method for employee development.

Agility

Success in globally competitive markets demands agility—a capacity for rapid change and flexibility. All aspects of e-commerce require and enable more rapid, flexible, and customized responses. Businesses face ever-shorter cycles for the introduction of new/improved products and services, as well as for faster and more flexible response to customers. Major improvements in response time often require simplification of work units and processes and/or the ability for rapid changeover from one process to another. Cross-trained and empowered employees are vital assets in such a demanding environment.

A major success factor in meeting competitive challenges is the design-to-introduction (product/service initiation) cycle time. To meet the demands of rapidly changing global markets, organizations need to carry out stage-to-stage integration (such as concurrent engineering) of activities from research/concept to commercialization.

All aspects of time performance now are more critical, and cycle time has become a key process measure. Other important benefits can be derived from this focus on time; time improvements often drive simultaneous improvements in organization, quality, cost, and productivity.

Focus on the Future

In today's competitive environment, a focus on the future requires understanding the short- and longer-term factors that affect your business and marketplace. Pursuit of sustainable growth and market leadership requires a strong future orientation and a willingness to make long-term commitments to key stakeholders—your customers, employees, suppliers and partners, stockholders, the public, and your community. Your organization's planning should anticipate many factors, such as customers' expectations, new business and partnering opportunities, the increasingly global marketplace, technological developments, the evolving e-commerce environment, new customer and market segments, evolving regulatory requirements, community/societal expectations, and strategic moves by competitors. Strategic objectives and resource allocations need to accommodate these influences. A focus on the future includes developing employees and suppliers, creating opportunities for innovation, and anticipating public responsibilities.

Managing for Results

Exceeding the expectations of stakeholders, customers, employees, suppliers, the public and community requires a strong future orientation and a willingness to make long-term commitments. Organizations should anticipate many factors in their strategic planning efforts, such as customer expectations, new business opportunities, technological developments, new customer segments, evolving regulatory requirements, community/societal expectations, and strategic changes by sister organizations. Short-term and long-term plans, strategic objectives, and resource allocations need to reflect these influences. Major components of such a long-term commitment include developing employees and suppliers and fulfilling public responsibilities.

Organizations depend upon the measurement and analysis of performance. Such measurements must derive from the organization's strategy and provide critical data and information about key processes, outputs, and results. Many types of data and information are needed for performance measurement and improvement. Performance areas included are: customers, products, services, operations, markets, competitive comparisons, suppliers, employees, and cost and financial areas.

Analysis refers to extracting larger meaning from data and information to support evaluation, decision-making, and operational improvement within the organization. Analysis entails using data to determine trends, projections, and cause and effect that might not be evident without analysis. Data and analysis support a variety of purposes, such as planning, reviewing overall performance, improving operations, and comparing performance with competitors or with "best practices" benchmarks.

A major consideration in performance improvement involves the selection and use of performance measures or indicators. The measures or indicators selected should best represent the factors that lead to improved customer, operational, and financial performance. A comprehensive set of measures or indicators tied to customer and/or organizational performance requirements represents a clear basis for aligning all activities with the organization's goals. Through the analysis of data from the tracking processes, the measures or indicators themselves may be evaluated and changed to better support such goals.

Managing for Innovation

Innovation means making meaningful change to improve an organization's products, services, and processes and to create new value for the organization's stakeholders. Innovation should lead your organization to new dimensions of performance. Innovation is no longer strictly the purview of research and development departments; innovation is important for all aspects of your business and all processes. Organizations should be led and managed so that innovation becomes part of the culture and is integrated into daily work.

Management by Fact

Organizations depend on the measurement and analysis of performance. Such measurements should derive from business needs and strategy, and they should provide critical data and information about key processes, outputs, and results. Many types of data and information are needed for performance management. Performance measurement should include customer, product, and service performance; comparisons of operational, market, and competitive performance; and supplier, employee, and cost and financial performance.

Analysis refers to extracting larger meaning from data and information to support evaluation, decision-making, and operational improvement. Analysis entails using data to determine trends, projections, and cause and effect that might not otherwise be evident. Analysis supports a variety of purposes, such as planning, reviewing your overall performance, improving operations, change management, and comparing your performance with competitors' or with "best practices" benchmarks.

A major consideration in performance improvement and change management involves the selection and use of performance measures or indicators. *The measures or indicators you select should best represent the factors that lead to improved customer, operational, and financial performance. A comprehensive set of measures or indicators tied to* *customer and/or organizational performance requirements represents a clear basis for aligning all activities with your organization's goals*. Through the analysis of data from your tracking processes, your measures or indicators themselves may be evaluated and changed to better support your goals.

Public Responsibility and Citizenship

An organization's leaders should stress its responsibilities to the public and the need to practice good citizenship. These responsibilities refer to basic expectations of your organization related to business ethics and protection of public health, safety, and the environment. Protection of health, safety, and the environment includes your organization's operations, as well as the life cycles of your products and services. Also, organizations should emphasize resource conservation and waste reduction at the source. Planning should anticipate adverse impacts from production, distribution, transportation, use, and disposal of your products. Effective planning should prevent problems, provide for a forthright response if problems occur, and make available information and support needed to maintain public awareness, safety, and confidence.

For many organizations, the product design stage is critical from the point of view of public responsibility. Design decisions impact your production processes and often the content of municipal and industrial wastes. Effective design strategies should anticipate growing environmental concerns and responsibilities.

Organizations should not only meet all local, state, and federal laws and regulatory requirements, but they should treat these and related requirements as opportunities for improvement "beyond mere compliance." This requires the use of appropriate measures in managing public responsibility.

Practicing good citizenship refers to leadership and support—within the limits of an organization's resources—of publicly important purposes. Such purposes might include improving education and health care in your community, environmental excellence, resource conservation, community service, improving industry and business practices, and sharing nonproprietary information. Leadership as a corporate citizen also entails influencing other organizations, private and public, to partner for these purposes. For example, your organization might lead or participate in efforts to help define the obligations of your industry to its communities.

Focus on Results and Creating Value

An organization's performance measurements need to focus on key results. Results should be used to create and balance value for your key stakeholders—customers, employees, stockholders, suppliers and partners, the public, and the community. By creating value for your key stakeholders, your organization builds loyalty and contributes to growing the economy. To meet the sometimes conflicting and changing aims that balancing value implies, organizational strategy should explicitly include key stakeholder requirements. This will help ensure that actions and plans meet differing stakeholder needs and avoid adverse impacts on any stakeholders. The use of a balanced composite of leading and lagging performance measures offers an effective means to communicate short- and longer-term priorities, monitor actual performance, and provide a clear basis for improving results.

Systems Perspective

The Baldrige Criteria provide a systems perspective for managing your organization to achieve performance excellence. The Core Values and the seven Baldrige Categories form the building blocks and the integrating mechanism for the system. However, successful management of overall performance requires organization-specific synthesis and alignment. Synthesis means looking at your organization as a whole and builds upon key business requirements, including your strategic objectives and action plans. Alignment means using the key linkages among requirements given in the Baldrige Categories, including the key measures/indicators.

Alignment is depicted in the Baldrige framework on page 11. Alignment includes your senior leaders' focus on strategic directions and on your customers. It means that your senior leaders monitor, respond to, and manage performance based on your business results. Alignment includes using your measures/indicators to link your key strategies with your key processes and align your resources to improve overall performance and satisfy customers.

Thus, a systems perspective means managing your whole organization, as well as its components, to achieve success.

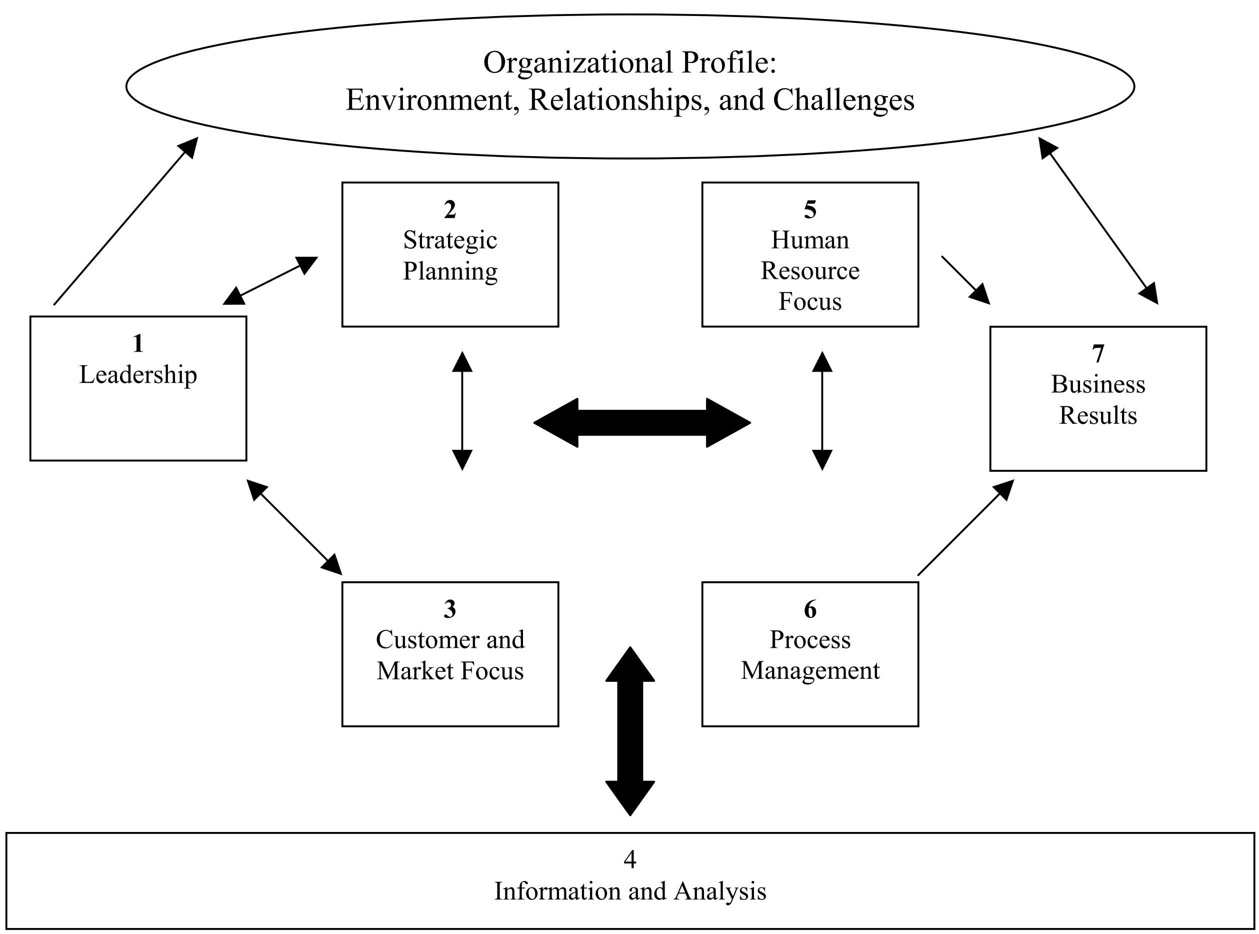
Criteria for Performance Excellence Framework

The Core Values and Concepts are embodied in seven Categories, as follows:

1 **Leadership**
2 **Strategic Planning**
3 **Customer and Market Focus**
4 **Information and Analysis**
5 **Human Resource Focus**
6 **Process Management**
7 **Business Results**

To show you visually how the categories are connected and integrated, the following framework has been reproduced from the 2002 Malcolm Baldrige Criteria Booklet.

Baldrige Criteria for Performance Excellence Framework: A Systems Perspective



From top to bottom, the framework has the following basic elements.

Organizational Profile

Your Organizational Profile (top of figure) sets the context for the way your organization operates. Your environment, key working relationships, and strategic challenges serve as an overarching guide for your organizational performance management system.

System

The system is composed of the six Baldrige Categories in the center of the figure that define the organization, its operations, and its results.

Leadership (Category 1), Strategic Planning (Category 2), and Customer and Market Focus (Category 3) represent the leadership triad. These Categories are placed together to emphasize the importance of a leadership focus on strategy and customers. Senior leaders set your organizational direction and seek future opportunities for your organization.

Human Resource Focus (Category 5), Process Management (Category 6), and Business Results (Category 7) represent the results triad. Your organization's employees and its key processes accomplish the work of the organization that yields your business results.

All actions point toward Business Results—a composite of customer, financial, and operational performance results, including human resource results and public responsibility.

The horizontal arrow in the center of the framework links the leadership triad to the results triad, a linkage critical to organizational success. Furthermore, the arrow indicates the central relationship between Leadership (Category 1) and Business Results (Category 7). The two-headed arrow indicates the importance of feedback in an effective performance management system.

Information and Analysis

Information and Analysis (Category 4) are critical to the effective management of your organization and to a fact-based system for improving performance and competitiveness. Information and analysis serve as a foundation for the performance management system.

Criteria Structure

The seven Criteria Categories shown in the figure are subdivided into Items and Areas to Address.

Items

There are 18 Items, each focusing on a major requirement. Item titles and point values are given on page 26. The Item format is given in the Response Guidelines section.

Areas to Address

Items consist of one or more Areas to Address (Areas). Organizations should address their responses to the specific requirements of these Areas.

KEY CHARACTERISTICS OF THE CRITERIA

1. The Criteria focus on business results.

The Criteria focus on the key areas of business performance, given below.

Business performance areas:

- customer-focused results
- financial and market results
- human resource results
- organizational effectiveness results, including operational and supplier performance

The use of this composite of indicators is intended to ensure that strategies are balanced—that they do not inappropriately trade off among important stakeholders, objectives, or short- and longer-term goals.

2. The Criteria are nonprescriptive and adaptable.

The Criteria are made up of results-oriented requirements. However, the Criteria *do not* prescribe

- that your organization should or should not have departments for quality, planning, or other functions;
- how your organization should be structured; or
- that different units in your organization should be managed in the same way.

These factors differ among organizations, and they are likely to change as needs and strategies evolve.

The Criteria are nonprescriptive for the following reasons:

(1) The focus is on results, not on procedures, tools, or organizational structure. Organizations are encouraged to develop and demonstrate creative, adaptive, and flexible approaches for meeting basic requirements. Nonprescriptive requirements are intended to foster incremental and major (“breakthrough”) improvements, as well as basic change.

(2) Selection of tools, techniques, systems, and organizational structure usually depends on factors such as business type and size, your organization’s stage of development, and employee capabilities and responsibilities.

(3) Focus on common requirements, rather than on common procedures, fosters better understanding, communication, sharing, and alignment, while supporting innovation and diversity in approaches.

3. The Criteria support a systems perspective to maintaining organization-wide goal alignment.

The systems perspective to goal alignment is embedded in the integrated structure of the Core Values and Concepts, the Organizational Profile, the Criteria, and the results-oriented, cause-effect linkages among the Criteria Items.

Alignment in the Criteria is built around connecting and reinforcing measures derived from your organization’s processes and strategy. These measures tie directly to customer value and to overall performance. The use of measures thus channels different activities in consistent directions with less need for detailed procedures, centralized decision-making, or process management. Measures thereby serve both as a communications tool and a basis for deploying consistent overall performance requirements. Such alignment ensures consistency of purpose while also supporting agility, innovation, and decentralized decision making.

A systems perspective to goal alignment, particularly when strategy and goals change over time, requires dynamic linkages among Criteria Items. In the Criteria, action-oriented cycles of learning take place via feedback between processes and results.

The learning cycles have four, clearly defined stages:

- planning, including design of processes, selection of measures, and deployment of requirements
- execution of plans
- assessment of progress, taking into account internal and external results
- revision of plans based upon assessment findings, learning, new inputs, and new requirements

4. The Criteria support goal-based diagnosis.

The Criteria and the Scoring Guidelines make up a two-part diagnostic (assessment) system. The Criteria are a set of 18 performance-oriented requirements. The Scoring Guidelines spell out the assessment dimensions—Approach, Deployment, and Results—and the key factors used to assess each dimension. An assessment thus provides a profile of strengths and opportunities for improvement relative to the 18 basic requirements. In this way, assessment leads to actions that contribute to performance improvement in all areas, as described in the diagram on page 11. This diagnostic assessment is a useful management tool that goes beyond most performance reviews and is applicable to a wide range of strategies and management systems.

A. Methods of Assessment

The Performance Excellence Assessment Program provides a viable standard against which organizations can assess their performance, identify areas of improvement, measure progress and celebrate success. Assessment can occur three ways including (1) self-assessment; (2) peer assessment; and (3) recognition assessment. All support the overall goal of driving continuous improvement.

Organizations are encouraged to select and apply for an appropriate method of assessment. Please complete and submit the Intent to Participate Form (see page 21) to the Center for Continuous Quality Improvement indicating the method of assessment selected.

1. Self-Assessment

Self-assessment may be undertaken at any time. It may be accomplished as a purely internal process, with the assistance of the Center for Continuous Quality Improvement or through the use of a consultant.

Objective self-assessment should be a regular part of any organization's measurement of progress toward performance excellence. The process does not require adherence to a mandated timetable or payment of fees. It may or may not involve a written application. Self-assessment provides its greatest benefits when it becomes an integral part of the organization's culture.

Self-assessment provides many benefits. Participants gain a disciplined approach for identifying their successes and areas for improvement. They are better equipped to target key performance gaps, set priorities for improvement and discover new and better ways to work with employees, customers, partners and suppliers.

2. Peer Assessment

Peer assessment is a more formalized process and must be completed and submitted by September 19, 2002. At the request of an organization (using the Intent to Participate Form), the Center for Continuous Quality Improvement will create a team of qualified individuals from Maryland government agencies, under the direction of a trained Examiner.

This team will review the application submitted by the participating organization and provide written feedback. The application will meet the same content requirements and be in the same format as required for the Recognition Process (see page 24, The Application).

Organizations participating in the peer assessment process need not meet the eligibility requirement for implementing Performance Excellence, but are required to comply with the Recognition Process timetable, except for site visits. Participating organizations will be charged a fee (see Section I on page 19).

Peer assessment provides participating organizations with more objectivity than self-assessment. It provides shared experience and a more formal review without the structure or pressure of the recognition process. This may be the ideal first step for organizations that anticipate seeking recognition for their achievements in performance excellence in future years.

3. Recognition Assessment

The recognition assessment process is the most structured of the assessment methods and must be completed and submitted by September 19, 2002. It requires the review of an application and a possible site visit by a team of Examiners established by the Center for Continuous Quality Improvement. Deadlines, fees and a substantial investment of time are clearly a part of this process. The requirements are described fully later in this document.

Recognition is based on the applicant's promotion of performance excellence awareness and best practices at four levels. Each participating organization will be evaluated and recognized at one of these four levels. Based on the application information, the Examiners will determine recognition levels and the necessity of a site visit. All candidate organizations are provided with additional support for their improvement efforts through an assessment of practices by a team of Examiners. There are fees associated with this assessment process (see Section I on page 19).

B. Eligibility

Potential applicants must submit an *Intent to Participate Form* to the Center for Continuous Quality Improvement by July 18, 2002. The primary purpose of the form is to assist in the establishment of the eligibility of applicants before they complete the entire application, and to collect data on the number of agencies using the assessment program. Eligibility is determined by three factors:

1. the applicant's organizational status;
2. the degree to which the applicant has implemented quality management strategies; and
3. the applicant's past record in applying for recognition.

1. ORGANIZATIONAL STATUS

An organizational unit is eligible if it meets the following criteria:

* The head of the organizational unit reports directly to the highest ranking appointed or elected officials of the parent entity or to a senior executive (appointed or elected) of the parent entity.
* The unit must be largely self-sufficient so that it can be examined in all seven criteria categories and it must be a discrete business entity that is readily distinguishable from other parts of the parent organization. It cannot be primarily an internal supplier to other units in the parent organization or a support function. It functions independently with its own multi-functional operations, receiving policy direction and oversight from the parent entity. For example, an organizational unit with its own administrative, human resource, and other support functions is eligible. The application must include these supporting functions. A unit that is dependent on the parent organization for the majority of these functions is ineligible.
* Individual Programs will be considered on a case-by-case basis.

An organizational unit and its department (parent organization) must I separately. The department must focus only on its responsibilities that support the specific efforts of the organizational units.

For clarification purposes, a parent organization is typically a headquarters function in a large cabinet department. For example, Maryland Department of Transportation (parent organization) and its five agencies: State Highway Administration, Maryland Aviation Administration, Maryland Port Administration, Motor Vehicle Administration and the Mass Transit Administration (organizational units), all can apply separately.

2. IMPLEMENTATION OF PERFORMANCE EXCELLENCE

Applicants must meet a minimum standard for implementation of Performance Excellence principles in their agency. A set of minimum criteria has been established and is provided on the Intent to Participate Form. These criteria ensure that an agency has established an infrastructure that can nurture and support the State's Continuous Quality Improvement initiative.

3. RECIPIENTS OF LEVEL 1 RECOGNITION

A recipient of the prestigious Governor's Level 1 Performance Excellence Recognition will be considered a Showcase Organization for a period of one year, during which they may not re-apply. Showcase Organizations are expected to help other agencies implement and improve their processes and increase awareness of the importance of continuous quality improvement and managing for results as management strategies. This can be done by mentoring other agencies, performing site visits, participating in the pre-application, one-day training workshop, assisting with the application examination process and making presentations to the Governor's Cabinet and professional organizations.

C. Timetable

July 18, 2002	**Intent to Participate Form Deadline Submission**
September 19, 2002	**Deadline for Receipt of Application at the CQI Center Must be delivered by 4:00 p.m. on September 19, 2002.**
October 15 – November 1, 2002	**If applicable, site visits will be scheduled by the Examiners. Organizations will be notified of their specific date by the CQI Center.**
November 26, 2002	**Governor's Annual Awards and Employee Recognition Training Conference, Baltimore Convention Center – November 26, 2002 - 8:00 a.m. – 4:30 p.m.**
December 6, 2002	**Post-Application Debriefing Workshop Location to be determined. Organizations will receive a letter with details.**

D. Levels of Recognition

Level 1 - This level recognizes organizations that demonstrate through their practices and achievements, the highest level of performance excellence. These organizations serve as outstanding examples of quality organizations in the State, exhibiting processes that serve as benchmarks for others. Organizations recognized at this highest level have demonstrated management excellence with significant results clearly evident. They continue to improve and build upon outstanding results and excellent systems.

Level 2 - This level recognizes organizations that demonstrate, through their commitment and practice of performance excellence principles, significant progress in building sound and notable processes. Their practices and results are clearly linked to robust management systems. These organizations are in the *advanced stages* and have many practices from which others can learn. Organizations recognized at this advanced level clearly demonstrate results directly attributable to a systematic, broadly deployed approach.

Level 3 - This level recognizes organizations that demonstrate a commitment to the use of performance excellence principles. These organizations are in the *maturing stages* and have documented a logical approach to system-level performance improvement strategies and are implementing plans and procedures to achieve performance excellence.

Level 4 - This level recognizes organizations that have adopted and are applying performance excellence principles. These organizations are in the *early stages* of their performance improvement journey and recognize the value of an outside progress assessment by a team of Examiners' to help their efforts.

E. Pre-application Submission Workshop

A one half-day workshop will be held to prepare applicants for completion of the application. This workshop is **mandatory** for all organizations choosing the Recognition Assessment process (Option 3) and **recommended** for those organizations interested in Self- or Peer Assessment (Option 1 or 2). Material to be covered will include:

1. the Performance Excellence Assessment Criteria;
2. the application;
3. the examination process; and
4. tips for an effective submission.

F. The Application

The application must be able to stand on its own. Descriptions for each sub-element should be fully responsive to the items listed in the sub-element. No prior knowledge of the applicant organization should be assumed. In general, the Examiners will not be familiar with State organizations. Responses should be concise and quantitative where possible. To be properly evaluated, facts and information with measures should support statements. Trends should be provided whenever appropriate. Assertions that are not supported may not receive a favorable evaluation by the Examiners. Care should be taken to fully define terminology specific to the business of the applicant. If acronyms are used, you may define them in a one-page glossary that will not be counted in the application page limit.

The format for the application is:

* The application may not exceed a maximum of 35 pages (one sided); a maximum of a 5 page organizational profile, and excluding a front and back cover and a glossary, if appropriate, for a total of 40 pages.
* Text should contain the same category and item numerical designations as in the Criteria. Respond to each item as a whole. Respond to the set of Areas to Address in the order given to facilitate review by the Examiners.
* The report should be typed on standard 8 ½ by 11-inch paper. Page margins must be a minimum ¾" left and right
* Type should be 12 point font or larger.
* There should be no more than 60 lines per page.
* Pages may be printed on both sides, with each side counting as one page.
* Graphs, figures, data tables, and appendices must also be legible. If using color charts, make sure areas of importance will reproduce in black and white. Pages with charts, graphs, tables, etc. must be included in the stated 35-page limitation.

Deliver eight (8) original applications and one (1) softcopy to the following address (only one set needs to include the approved Intent to Participate Form and Application Form):

Andrea Sutton, Statewide CQI Coordinator
2002 Governor's Performance Excellence Assessment Program
Department of Budget and Management
Center for Continuous Quality Improvement
301 W. Preston Street, Room 507
Baltimore, Maryland 21201

For additional information concerning the Performance Excellence Assessment Criteria, contact The Center for Continuous Quality Improvement at 410- 767-4754.

G. Confidentiality

All applications, commentary, and scoring information developed during the application review process are considered proprietary and are kept confidential. Information is available only to those individuals involved in the review process. For the recognition process to be effective, there must be unquestionable fairness and objectivity for all concerned.

NOTE: The decisions of the team of Examiners are final. Each Examiner is bound by a strict Code of Ethics and may not participate in any scoring or recognition decision where there may be, or could appear to be, any personal, professional, financial, or other relationship which could create a potential, or perceived, conflict of interest.

H. Site Visits

Applicants may receive a site visit at the discretion of the Examiners. However, site visits are mandatory for all applicants that are recommended for Level 1 or Level 2 recognition. The site visit is required to verify that the claims made in the application are accurate. Site visit expenses are the responsibility of the applicant organization. The Examiners generally are not reimbursed by their organization. Their expenses may include mileage and overnight expenses computed at the current state rate. The Center for Continuous Quality Improvement will coordinate directly with the site visit representative for resolution of actual cost.

I. Processing Fees

Option 1 – Self-Assessment	None

Option 2 – Peer Assessment	*Application Fee*
Large organization (more than 1,500 employees)	$100
Medium organization (between 500 and 1,500)	$ 75
Small organization (fewer than 500)	$ 50

Option 3 – Recognition Assessment

The Intent to Participate fee is $50 for all applicants in the Recognition Process. This fee is non-refundable and is due at the time of submission of the form to the CQI Center.

Once eligibility is established, the applicant must complete the application. When the application is submitted, the following fees, which are used to cover some costs of the mandatory pre-application training workshop and the Recognition tokens, must accompany the application:

	Application Fee
Large organization (more than 1,500 employees)	$300
Medium organization (between 500 and 1,500)	$200
Small organization (fewer than 500)	$100

J. Additional Assistance

If there are any questions or clarification needed contact:

Andrea Sutton
Statewide Continuous Quality Improvement Coordinator
Center for Continuous Quality Improvement
Department of Budget and Management
301 West Preston Street, Room 507
Baltimore, MD 21201
Phone (410) 767-4754
Fax (410) 333-7456 or (410) 333-7207
E-mail asutton@dbm.state.md.us
Website: www.dbm.state.md.us/ccqi

2002 GOVERNOR'S PERFORMANCE EXCELLENCE ASSESSMENT PROGRAM for State Organizations

INTENT TO PARTICIPATE

There are three levels of participation in the ***Governor's Performance Excellence Assessment Process***. Please indicate your agency's method of assessment. (See page 15 for details.)

_______ Option 1: Self-Assessment

_______ Option 2: Peer Assessment

_______ Option 3: Recognition Assessment

If an agency chooses either Option 1 or 2, the remainder of this form does not need to be completed except #2.
If Option 3 is chosen, the following questions must be completed.

The primary purpose of this section is to determine eligibility of Applicants for Recognition before the entire application is completed. Determination takes into account two factors:

- Organizational unit status and its relationship to parent organization
- Functions performed

Potential applicants are encouraged to submit this Intent to Participate form as early as possible but no later than July 18, 2002. The Center for Continuous Quality Improvement (CCQI) will then contact you with an official eligibility determination.

FEE
Option 2 requires different fees, based upon the size of the organization. Please refer to page 19.
Option 3 of the Intent to Participate form requires a $50.00 non-refundable fee. Payment can be made by check or money order and made payable to *Governor's Performance Excellence Assessment Program*, Department of Budget and Management, but the balance of the fee stated on page 19 is due at the time of the application submittal.

If making an R-Stars Journal Entry Transfer, complete the following:

F10	23060	9459	410
Financial Agency	Program Cost Account	Object	Transaction Code
____________	____________	____________	
Contact Name	Agency Name	Phone	
____________	____________	____________	
Financial Agency Number	Journal Entry # and Date of Entry	Amount	

(Attach a copy of Journal Entry Submittal)

INTENT TO PARTICIPATE FORM

1. Please check all that apply:

_____ Large Agency or Unit (more than 1,500 employees) Total # of employees _______

_____ Medium Agency or Unit (500 – 1,500 employees) Total # of employees _______

_____ Small Agency or Unit (less than 500 employees) Total # of employees _______

_____ Do you have a designated Continuous Quality Improvement Coordinator?

Name____

Title____

Address____

Phone ____________Fax ____________E-mail _______________

_____ Do formal, structured, quality improvement teams and/or process/action improvement teams exist?

_____ Does a process exist for identifying internal and external customers, customer requirements and customer satisfaction?

_____ Do you have a Continuous Quality Improvement training initiative?

_____ What percent of employees have received Continuous Quality Improvement training?

_____ Is there an employee suggestion program or other process for receiving employee input?

2. Indicate the name, address and phone number of the person(s) attending the **mandatory** one half-day Pre-Application Submission Workshop.

____

____

____

3. Signature, Authorizing Official ______________________ Date ______________________

Name ___________________________________ Title ______________________

Address _________________________________ Phone _____________________

4. Eligibility Determination

Approved ________		Date ____________________________
Disapproved ________		

____
Andrea M. Sutton, Statewide CQI Coordinator
Center for Continuous Quality Improvement

For Official Use Only

Deliver Intent to Participate Form and fee by July 18, 2002 to:

Andrea M. Sutton
Statewide CQI Coordinator
Center for Continuous Quality Improvement
Department of Budget and Management
301 West Preston Street – Room 507
Baltimore, MD 21201
Office: (410) 767-4754
Fax: (410) 333-7456 or (410) 333-7207

ORGANIZATION APPLICATION FORM FOR RECOGNITION
2002 GOVERNOR'S PERFORMANCE EXCELLENCE ASSESSMENT PROGRAM

1. APPLICANT (Organization or Unit within the organization)

   Organization Name ______________________________

   Unit Name (if appropriate) ______________________________

   Address ______________________________

2. Highest Ranking Official or Senior Executive of the Organization

   Name ______________________________

   Title ______________________________

   Address ______________________________

   Telephone Number ______________________________

3. Size of Applicant Organization or Unit

   Total number of employees: ____________ (Full Time, Part-Time, Contractual and Temporary)

   Total number of satellite locations ____________

4. We understand that this application will be reviewed by an independent team of Examiners. If our organization is selected for a site visit, we agree to host the site visit and to facilitate an open and unbiased examination. We understand that the organization must pay reasonable costs associated with the site visit.

   Agreed: ______________________________
   Signature, GPEAP Coordinator

5. Application Fee

   Enclosed is $______ for the organization application for recognition.

   For "R-Stars Transfer" complete this section:

F10	23060	9459	410
Financial Agency	Program Cost Account	Object	Transaction Code
____________	____________	____________	
Contact Name	Organization/Unit Name	Phone #	
____________	____________	____________	
Financial Agency Number	Journal Entry # and Date of Entry	Amount Transferred	

(Attach a copy of the Journal Entry Submittal)

For "Department Check", attach a check or money order made payable to: Department of Budget and Management and mail to the attention of: Andrea Sutton, Statewide CQI Coordinator, Center for Continuous Quality Improvement, 301 W. Preston Street – Room 507, Baltimore, Maryland 21201.

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6. Signature, Authorizing Official:

   ____
   (Signature) (Title) (Date)

7. Organizational Contact Person to supply information if needed:

   Name ____

   Telephone Number ____

8. Specific Proposed Site Visit Address: (Include County)

   ____

   Site Visit Contact Person ____

   Address ____

   Telephone Number ____

Please deliver eight (8) original sets and one (1) softcopy of your application and attachments. Please attach approved Intent to Apply Form and Application Form to one (1) set only.

2002 CRITERIA FOR PERFORMANCE EXCELLENCE
ITEM LISTING

Preface: Organizational Profile

P.1 Organizational Description
P.2 Organizational Challenges

2002 Categories/Items	Point Values	
1 Leadership		**120**
1.1 Organizational Leadership	80	
1.2 Public Responsibility and Citizenship	40	
2 Strategic Planning		**85**
2.1 Strategy Development	40	
2.2 Strategy Deployment	45	
3 Customer and Market Focus		**85**
3.1 Customer and Market Knowledge	40	
3.2 Customer Relationships and Satisfaction	45	
4 Information and Analysis		**90**
4.1 Measurement and Analysis of Organizational Performance	50	
4.2 Information Management	40	
5 Human Resource Focus		**85**
5.1 Work Systems	35	
5.2 Employee Education, Training, and Development	25	
5.3 Employee Well-Being and Satisfaction	25	
6 Process Management		**85**
6.1 Product and Service Processes	45	
6.2 Business Processes	25	
6.3 Support Processes	15	
7 Business Results		**450**
7.1 Customer-Focused Results	125	
7.2 Financial and Market Results	125	
7.3 Human Resource Results	80	
7.4 Organizational Effectiveness Results	120	
TOTAL POINTS		**1000**

Note: **The Scoring System used with the Criteria Items in this assessment can be found in Appendix B: Assessment and Scoring.**

P PREFACE: ORGANIZATIONAL PROFILE

The ***Organizational Profile*** is a snapshot of your organization, the key influences on how you operate, and the key challenges you face.

P.1 Organizational Description

Describe your organization's business environment and your key relationships with customers, suppliers, and other partners.

Within your response, include answers to the following questions:

a. Organizational Environment

(1) What are your organization's main products and/or services? Include a description of how they are delivered to customers.

(2) What is your organizational context/culture? Include your purpose, vision, mission, and values, as appropriate.

(3) What is your employee profile? Include educational levels, workforce and job diversity, bargaining units, use of contract employees, and special safety requirements, as appropriate.

(4) What are your major technologies, equipment, and facilities?

(5) What is the regulatory environment under which your organization operates? Include occupational health and safety regulations; accreditation requirements; and environmental, financial, and product regulations.

b. Organizational Relationships

(1) What are your key customer groups and/or market segments? What are their key requirements for your products and services? Include how these requirements differ among customer groups and/or market segments, as appropriate.

(2) What are your most important types of suppliers and dealers and your most important supply chain requirements? What are your key supplier and customer partnering relationships and communication mechanisms?

Notes:

N1. Customer group and market segment requirements (P.1b[1]) might include on-time delivery, low defect levels, price reductions, electronic communication, and after-sales service.

N2. Communication mechanisms (P.1b[2]) should be two-way and might be in person, electronic, by telephone, and/or written. For many organizations, these mechanisms might be changing.

Item notes serve three purposes: (1) to clarify terms or requirements presented in Items, (2) to give instructions on responding to the Criteria Item requirements, and (3) to indicate key linkages to other Items. In all cases, the intent is to help you respond to the Item requirements.

P.2 Organizational Challenges

Describe your organization's competitive environment, your key strategic challenges, and your system for performance improvement.

Within your response, include answers to the following questions:

a. Competitive Environment

(1) What is your competitive position? Include your relative size and growth in your industry and the numbers and types of your competitors.

(2) What are the principal factors that determine your success relative to your competitors? Include any changes taking place that affect your competitive situation.

b. Strategic Challenges

What are your key strategic challenges? Include operational, human resource, business, and global challenges, as appropriate.

c. Performance Improvement System

How do you maintain an organizational focus on performance improvement? Include your approach to systematic evaluation and improvement of key processes and to fostering organizational learning and knowledge sharing.

NOTES:

N1. Factors (P.2a[2]) might include differentiators such as price leadership, design services, e-services, geographic proximity, and warranty and product options.

N2. Challenges (P.2b) might include electronic communication with businesses and end-use consumers, reduced product introduction cycle times, mergers and acquisitions, global marketing and competition, customer retention, staff retention, and value chain integration.

N3. Performance improvement (P.2c) is an assessment dimension used in the Scoring System to evaluate the maturity of organizational approaches and deployment (see pages 73-74). This question is intended to help you and the Baldrige Examiners set a context for your approach to performance improvement.

Importance of Your Organizational Profile

Your Organizational Profile is critically important because

- it is the most appropriate starting point for self-assessment and for writing an application;
- it helps you identify potential gaps in key information and focus on key performance requirements and business results;
- it is used by the Examiners and Judges in all stages of application review, including the site visit, to understand your organization and what you consider important; and
- it also may be used by itself for an initial self-assessment. If you identify topics for which conflicting, little, or no information is available, it is possible that your assessment need go no further and you can use these topics for action planning.

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The ***Leadership* Category** examines how your organization's senior leaders address values, directions, and performance expectations, as well as a focus on customers and other stakeholders, empowerment, innovation, and learning. Also examined is how your organization addresses its responsibilities to the public and supports its key communities.

1.1 Organizational Leadership (80 pts.)

Approach – Deployment

Describe how senior leaders guide your organization, including how they review organizational performance.

Within your response, include answers to the following questions:

a. Senior Leadership Direction

(1) How do senior leaders set and deploy organizational values, short- and longer-term directions, and performance expectations, including a focus on creating and balancing value for customers and other stakeholders? Include how senior leaders communicate values, directions, and expectations through your leadership system and to all employees.

(2) How do senior leaders create an environment for empowerment, innovation, organizational agility, and organizational and employee learning?

b. Organizational Performance Review

(1) How do senior leaders review organizational performance and capabilities to assess organizational success, competitive performance, progress relative to short- and longer-term goals, and the ability to address changing organizational needs? Include the key performance measures regularly reviewed by your senior leaders. Also, include your key recent performance review findings.

(2) How are organizational performance review findings translated into priorities for improvement and opportunities for innovation? How are they deployed throughout your organization and, as appropriate, to your suppliers/partners to ensure organizational alignment?

(3) How do senior leaders use organizational performance review findings to improve both their own leadership effectiveness and your leadership system?

Notes:

N1. Organizational directions (1.1a[1]) relate to strategic objectives and action plans described in Items 2.1 and 2.2.

N2. Senior leaders' organizational performance reviews (1.1b) should be informed by organizational performance analyses described in 4.1b and strategic objectives and action plans described in Items 2.1 and 2.2.

N3. Leadership effectiveness improvement (1.1b[3]) should be supported by formal and/or informal employee feedback/surveys.

N4. Your organizational performance results should be reported in Items 7.1, 7.2, 7.3, and 7.4.

Item responses are assessed by considering the Criteria Item requirements and the maturity of your approaches, breadth of deployment, and strength of your improvement process and results relative to the Scoring System. Refer to the Scoring System information on pages 73 –74.

For definitions of the following key terms, see Glossary section: alignment, approach, deployment, empowerment, goals, innovation, leadership system, measures, performance, senior leaders, stakeholders, and value.

For additional description of this Item, see Item Descriptions and Comments section.

1.2 Public Responsibility and Citizenship (40 pts.) **Approach – Deployment**

Describe how your organization addresses its responsibilities to the public and practices good citizenship.

Within your response, include answers to the following questions:

a. Responsibilities to the Public

(1) How do you address the impacts on society of your products, services, and operations? Include your key processes, measures, and targets for regulatory and legal requirements and for addressing risks associated with your products, services, and operations.

(2) How do you anticipate public concerns with current and future products, services, and operations? How do you prepare for these concerns in a proactive manner?

(3) How do you accomplish ethical business practices in all stakeholder transactions and interactions?

b. Support of Key Communities

How do your organization, your senior leaders, and your employees actively support and strengthen your key communities? Include how you identify key communities and determine areas of emphasis for organizational involvement and support.

Notes:

N1. Public responsibilities in areas critical to your business also should be addressed in Strategy Development (Item 2.1) and/or in Process Management (Category 6). Key results, such as results of regulatory/legal compliance or environmental improvements through use of "green" technology or other means, should be reported as Organizational Effectiveness Results (Item 7.4).

N2. Areas of community support appropriate for inclusion in 1.2b might include your efforts to strengthen local community services, education, and health; the environment; and practices of trade, business, or professional associations.

N3. The health and safety of employees are not addressed in Item 1.2; you should address these employee factors in Item 5.3.

For a definition of the following key term, see Glossary section: process.

For additional description of this Item, see Item Descriptions and Comments section.

Leadership (Category 1): ITEM DESCRIPTIONS AND COMMENTS

Leadership addresses how your senior leaders guide your organization in setting organizational values, directions, and performance expectations. Attention is given to how your senior leaders communicate with employees, review organizational performance, and create an environment that encourages high performance. The Category also includes your organization's responsibilities to the public and how your organization practices good citizenship.

1.1 Organizational Leadership

Purpose

This Item examines the key aspects of your organization's leadership and the actions of your senior leaders to create and sustain a high-performance organization.

Requirements

You are asked how your senior leaders set and deploy values, short- and longer-term directions, and performance expectations and balance the expectations of customers and other stakeholders. This includes how leaders create an environment for empowerment, innovation, organizational agility, and learning.

You also are asked how your senior leaders review organizational performance, what key performance measures they regularly review, and how review findings are used to drive improvement and innovation, including improvement in your leaders' effectiveness.

Comments

- Leadership's central roles in setting values and directions, creating and balancing value for all stakeholders, and driving performance are the focus of this Item. Success requires a strong orientation to the future and a commitment to both improvement and innovation. Increasingly, this requires creating an environment for empowerment and agility, as well as the means for rapid and effective application of knowledge.

- The organizational review called for in this Item is intended to cover all areas of performance. This includes not only how well you currently are performing but also how well you are moving toward the future. It is anticipated that the review findings will provide a reliable means to guide both improvement and opportunities for innovation that are tied to your organization's key objectives, success factors, and measures. Therefore, an important component of your senior leaders' organizational review is the translation of the review findings into an action agenda sufficiently specific for deployment throughout your organization and to your suppliers/partners and key customers.

1.2 Public Responsibility and Citizenship

Purpose

This Item examines how your organization fulfills its public responsibilities and encourages, supports, and practices good citizenship.

Requirements

You are asked how your organization addresses its current and future impacts on society in a proactive manner and how you accomplish ethical business practices in all stakeholder interactions. The impacts and practices are expected to cover all relevant and important areas—products, services, and operations.

You also are asked how your organization, your senior leaders, and your employees identify, support, and strengthen your key communities as part of good citizenship practices.

Comments

- An integral part of performance management and improvement is proactively addressing legal and regulatory requirements and risk factors. Addressing these areas requires establishing appropriate measures/indicators that senior leaders track in their overall performance review. Your organization should be sensitive to issues of public concern, whether or not these issues are currently embodied in law.

- Citizenship implies going beyond a compliance orientation. Good citizenship opportunities are available to organizations of all sizes. These opportunities include encouraging and supporting your employees' community service.

- Examples of organizational community involvement include influencing the adoption of higher standards in education by communicating employability requirements to schools and school boards; partnering with other businesses and health care providers to improve health in the local community by providing education and volunteer services to address public health issues; and partnering to influence trade, business, and professional associations to engage in beneficial, cooperative activities, such as sharing best practices to improve overall U.S. global competitiveness and the environment

The ***Strategic Planning*** Category examines how your organization develops strategic objectives and action plans. Also examined are how your chosen strategic objectives and action plans are deployed and how progress is measured.

2.1 Strategy Development (40 pts.)

Approach – Deployment

Describe how your organization establishes its strategic objectives, including enhancing its competitive position and overall performance.

Within your response, include answers to the following questions:

a. Strategy Development Process

(1) What is your overall strategic planning process? Include key steps, key participants, and your short- and longer-term planning time horizons.

(2) How do you ensure that planning addresses the following key factors? Briefly outline how relevant data and information are gathered and analyzed to address these factors:

- customer and market needs/expectations/opportunities
- your competitive environment and your capabilities relative to competitors
- technological and other key changes that might affect your products/services and/or how you operate
- your strengths and weaknesses, including human and other resources
- your supplier/partner strengths and weaknesses
- financial, societal, and other potential risks

b. Strategic Objectives

(1) What are your key strategic objectives and your timetable for accomplishing them? Include key goals/targets, as appropriate.

(2) How do your strategic objectives address the challenges identified in response to P.2 in your Organizational Profile? How do you ensure that your strategic objectives balance the needs of all key stakeholders?

Notes:

N1. "Strategy development" refers to your organization's approach (formal or informal) to preparing for the future. Strategy development might utilize various types of forecasts, projections, options, scenarios, and/or other approaches to envisioning the future for purposes of decision-making and resource allocation.

N2. "Strategy" should be interpreted broadly. Strategy might be built around or lead to any or all of the following: new products, services, and markets; revenue growth via various approaches, including acquisitions; and new partnerships and alliances. Strategy might be directed toward becoming a preferred supplier, a local supplier in each of your major customers' markets, a low-cost producer, a market innovator, and/or a high-end or customized product/service provider.

N3. Challenges (2.1b[2]) addressed in your strategy might include rapid response, customization, lean or virtual manufacturing, rapid innovation, Web-based supplier/customer relationship management, and product/service quality. Responses to Item 2.1 should focus on your specific challenges—those most important to your business success and to strengthening your organization's overall performance.

N4. Item 2.1 addresses your overall organizational strategy, which might include changes in services, products, and product lines. However, the Item does not address product and service design; you should address these factors in Item 6.1. For a definition of the following key term, see Glossary section: strategic objectives. For additional description of this Item, see Item Description and Comments section.

2.2 Strategy Deployment (45 pts.)

Approach – Deployment

Describe how your organization converts its strategic objectives into action plans. Summarize your organization's action plans and related key performance measures/indicators. Project your organization's future performance on these key performance measures/indicators.

Within your response, include answers to the following questions:

a. Action Plan Development and Deployment

(1) How do you develop and deploy action plans to achieve your key strategic objectives? Include how you allocate resources to ensure accomplishment of your action plans.

(2) What are your key short- and longer-term action plans? Include key changes, if any, in your products/services, your customers/markets, and how you operate.

(3) What are your key human resource plans that derive from your short- and longer-term strategic objectives and action plans?

(4) What are your key performance measures/indicators for tracking progress relative to your action plans? How do you ensure that your overall action plan measurement system achieves organizational alignment and covers all key deployment areas and stakeholders?

b. Performance Projection

What are your performance projections for your key measures/indicators for both your short- and longer-term planning time horizons? How does your projected performance compare with competitors' performance, key benchmarks, goals, and past performance, as appropriate?

Notes:

N1. Action plan development and deployment are closely linked to other Items in the Criteria. Examples of key linkages are

- Item 1.1 for how your senior leaders set and communicate directions;
- Category 3 for gathering customer and market knowledge as input to your strategy and action plans and for deploying action plans;
- Category 4 for information and analysis to support your key information needs, to support your development of strategy, to provide an effective basis for your performance measurements, and to track progress relative to your strategic objectives and action plans;
- Category 5 for your work system needs; employee education, training, and development needs; and related human resource factors resulting from action plans;
- Category 6 for process requirements resulting from your action plans; and
- Item 7.4 for specific accomplishments relative to your organizational strategy.

N2. Measures/indicators of projected performance (2.2b) might include changes resulting from new business ventures; business acquisitions; new value creation; market entry and shifts; and significant anticipated innovations in products, services, and technology.

For definitions of the following key terms, see Glossary section: action plans, benchmarks, measures and indicators, and performance projections.

For additional description of this Item, see Item Descriptions and Comments section.

Strategic Planning (Category 2): ITEM DESCRIPTIONS AND COMMENTS

Strategic Planning addresses strategic and action planning and deployment of plans. The Category stresses that customer-driven quality and operational performance are key strategic issues that need to be integral parts of your organization's overall planning.

Specifically,

- customer-driven quality is a strategic view of quality. The focus is on the drivers of customer satisfaction, customer retention, new markets, and market share—key factors in competitiveness, profitability, and business success.

- operational performance improvement contributes to short-term and longer-term productivity growth and cost/price competitiveness. Building operational capability—including speed, responsiveness, and flexibility—represents an investment in strengthening your competitive fitness.

The Criteria emphasize that improvement and learning needs to be embedded in work processes. The special role of strategic planning is to align work processes with your organization's strategic directions, thereby ensuring that improvement and learning reinforce organizational priorities.

The Strategic Planning Category examines how your organization

- understands the key customer, market, and operational requirements as input to setting strategic directions. This helps to ensure that ongoing process improvements and change are aligned with your organization's strategic directions.

- optimizes the use of resources, ensures the availability of trained employees, and bridges short-term and longer-term requirements that may entail capital expenditures, technology development or acquisition, and supplier development.

- ensures that deployment will be effective—that there are mechanisms to transmit requirements and achieve alignment on three levels: (1) the organization/executive level, (2) the key process level, and (3) the work unit/individual job level.

The requirements in the Strategic Planning Category encourage strategic thinking and acting—to develop a basis for a distinct competitive position in the marketplace. *These requirements do not imply formalized plans, planning systems, departments, or specific planning cycles.* They also do not imply that all your improvements could or should be planned in advance. An effective improvement system combines improvements of many types and degrees of involvement. This requires clear strategic guidance, particularly when improvement alternatives, including major change, compete for limited resources. In most cases, setting priorities depends heavily on a cost rationale. However, you also might have critical requirements, such as public responsibilities, that are not driven by cost considerations alone.

2.1 Strategy Development

Purpose

This Item examines how your organization sets strategic directions and develops your strategic objectives, guiding and strengthening your overall performance and competitiveness.

Requirements

You are asked to outline your organization's strategic planning process, including identifying key participants, key steps, and your planning time horizons. You are asked how you consider key factors that affect your organization's future. These factors cover external and internal influences on your organization. You are asked to address each factor and outline how relevant data and information are gathered and analyzed.

You also are asked to summarize your key strategic objectives and your timetable for accomplishing them. Finally, you are asked how these objectives address the challenges outlined in your Organizational Profile.

Comments

- This Item calls for basic information on the planning process and for information on all the key influences, risks, challenges, and other requirements that might affect your organization's future opportunities and directions—taking as long-term a view as possible. This approach is intended to provide a thorough and realistic context for the development of a customer- and market-focused strategy to guide ongoing decision-making, resource allocation, and overall management.

- This Item is intended to cover all types of businesses, competitive situations, strategic issues, planning approaches, and plans. The requirements explicitly call for a future-oriented basis for action but do not imply formalized planning, planning departments, planning cycles, or a specified way of visualizing the future. Even if your organization is seeking to create an entirely new business situation, it is still necessary to set and to test the objectives that define and guide critical actions and performance.

- This Item emphasizes competitive leadership, which usually depends on revenue growth and operational effectiveness. Competitive leadership requires a view of the future that includes not only the markets or segments in which your organization competes but also how it competes. *How it competes* presents many options and requires that you understand your organization's and your competitors' strengths and weaknesses. Although no specific time horizons are included, the thrust of this Item is sustained competitive leadership.

- An increasingly important part of strategic planning is projecting the future competitive environment. Such projections help to detect and reduce competitive threats, to shorten reaction time, and to identify opportunities. Depending on the size and type of business, maturity of markets, pace of change, and competitive parameters (such as price or innovation rate), organizations might use a variety of modeling, scenarios, or other techniques and judgments to anticipate the competitive environment.

2.2 Strategy Deployment

Purpose

This Item examines how your organization converts your strategic objectives into action plans to accomplish the objectives and how your organization assesses progress relative to these action plans. The aim is to ensure that your strategies are deployed for goal achievement.

Requirements

You are asked how you develop and deploy action plans that address your organization's key strategic objectives, including the allocation of needed resources. You are asked to summarize your key short- and longer-term action plans. Particular attention is given to changes in products/services, customers/markets, and how you operate. You also are asked about your key human resource plans that will enable accomplishment of your strategic objectives and action plans.

You are asked to give your key measures/indicators used in tracking progress relative to the action plans and how you use these measures to achieve organizational alignment and coverage of all key work units and stakeholders. Finally, you are asked to provide a projection of key performance measures/indicators. As part of this projection, you are asked how your projected performance compares with competitors' performance, key benchmarks, goals, and past performance.

Comments

- This Item asks how your action plans are developed and deployed. Accomplishment of action plans requires resources and performance measures, as well as the alignment of work unit and supplier/partner plans. Of central importance is how you achieve alignment and consistency—for example, via key processes and key measurements. Also, alignment and consistency are intended to provide a basis for setting and communicating priorities for ongoing improvement activities—part of the daily work of all work units. In addition, performance measures are critical for tracking performance. Action plans include human resource plans that support your overall strategy.

- Key changes in your products/services or customers/markets might include Web-based or e-commerce initiatives, integrated within or separate from your current business.

- Examples of possible human resource plan elements are

    - a redesign of your work organization and/or jobs to increase employee empowerment and decision making

    - initiatives to promote greater labor-management cooperation, such as union partnerships

    - initiatives to foster knowledge sharing and organizational learning

    - modification of your compensation and recognition systems to recognize team, organizational, stock market, customer, or other performance attributes

    - education and training initiatives, such as developmental programs for future leaders, partnerships with universities to help ensure the availability of future employees, and establishment of technology-based training capabilities

- Projections and comparisons in this Item are intended to encourage your organization to improve its ability to understand and track dynamic, competitive performance factors. Through this tracking process, your organization should be better prepared to take into account its rate of improvement and change relative to competitors' and relative to your own targets or stretch goals. Such tracking serves as a key diagnostic management tool.

- In addition to improvement relative to past performance and competitors' performance, projected performance also might include changes resulting from new business ventures, entry into new markets, e-commerce initiatives, product/service innovations, or other strategic thrusts.

The ***Customer and Market Focus*** Category examines how your organization determines requirements, expectations, and preferences of customers and markets. Also examined, is how your organization builds relationships with customers and determines the key factors that lead to customer acquisition, satisfaction, and retention and to business expansion.

3.1 Customer and Market Knowledge (40 pts.)

Approach – Deployment

Describe how your organization determines requirements, expectations, and preferences of customers and markets to ensure the continuing relevance of your products/services and to develop new opportunities.

Within your response, include answers to the following questions:

a. Customer and Market Knowledge

(1) How do you determine or target customers, customer groups, and/or market segments? How do you include customers of competitors and other potential customers and/or markets in this determination?

(2) How do you listen and learn to determine key customer requirements (including product/service features) and their relative importance/value to customers' purchasing decisions for purposes of product/service planning, marketing, improvements, and other business development? In this determination, how do you use relevant information from current and former customers, including marketing/sales information, customer retention data, won/lost analysis, and complaints? If determination methods vary for different customers and/or customer groups, describe the key differences in your determination methods.

(3) How do you keep your listening and learning methods current with business needs and directions?

Notes:

N1. Customer groups (3.1a[1]) might include Web-based customers and/or customers with whom you have direct contact. Key product/service features and purchasing decisions might take into account transactional modes and factors such as confidentiality and security.

N2. If your products/services are sold to or delivered to end-use customers via other businesses such as retail stores or dealers, customer groups (3.1a[1]) should include both the end users and these intermediate businesses.

N3. "Product/service features" (3.1a[2]) refers to all the important characteristics of products/services and to their performance throughout their full life cycle and the full "consumption chain." This includes all customers' purchase experiences and other interactions with your organization. The focus should be on features that affect customer preference and repeat business—for example, those features that differentiate your products and services from competing offerings. Those features might include price, reliability, value, delivery, customer or technical support, and the sales relationship.

N4. Listening/learning (3.1a[2]) might include gathering and integrating Web-based data and information that bear upon customers' purchasing decisions. Keeping your listening and learning methods current with business needs and directions (3.1a[3]) also might include use of current and new technology, such as Web-based data gathering.

For additional description of this Item, see Item Descriptions and Comments section.

3.2 Customer Relationships and Satisfaction (45 pts.) Approach – Deployment

Describe how your organization builds relationships to acquire, satisfy, and retain customers and to develop new opportunities. Describe also how your organization determines customer satisfaction.

Within your response, include answers to the following questions:

a. Customer Relationships

(1) How do you build relationships to acquire and satisfy customers and to increase repeat business and positive referrals?

(2) How do you determine key customer contact requirements and how they vary for differing modes of access? How do you ensure that these contact requirements are deployed to all people involved in the response chain? Include a summary of your key access mechanisms for customers to seek information, conduct business, and make complaints.

(3) What is your complaint management process? Include how you ensure that complaints are resolved effectively and promptly and that all complaints are aggregated and analyzed for use in improvement throughout your organization and by your partners, as appropriate.

(4) How do you keep your approaches to building relationships and providing customer access current with business needs and directions?

b. Customer Satisfaction Determination

(1) How do you determine customer satisfaction and dissatisfaction and use this information for improvement? Include how you ensure that your measurements capture actionable information that predicts customers' future business with you and/or potential for positive referral. Describe significant differences in determination methods for different customer groups.

(2) How do you follow up with customers on products/services and transactions to receive prompt and actionable feedback?

(3) How do you obtain and use information on your customers' satisfaction relative to customers' satisfaction with competitors and/or benchmarks, as appropriate?

(4) How do you keep your approaches to determining satisfaction current with business needs and directions?

Notes:

N1. Customer relationships (3.2a) might include the development of partnerships or alliances with customers.

N2. Determining customer satisfaction and dissatisfaction (3.2b) might include use of any or all of the following: surveys, formal and informal feedback, use of customer account histories, complaints, and transaction completion rates. Information might be gathered on the Internet, through personal contact or a third party, or by mail.

N3. Customer satisfaction measurements might include both a numerical rating scale and descriptors for each unit in the scale. Actionable customer satisfaction measurements provide useful information about specific product/service features, delivery, relationships, and transactions that bear upon the customers' future actions—repeat business and/or positive referral.

N4. Your customer satisfaction and dissatisfaction results should be reported in Item 7.1.

For additional description of this Item, see Item Descriptions and Comments section.

Customer and Market Focus (Category 3): ITEM DESCRIPTIONS AND COMMENTS

Customer and Market Focus addresses how your organization seeks to understand the voices of customers and of the marketplace. The Category stresses relationships as an important part of an overall listening, learning, and performance excellence strategy. Your customer satisfaction and dissatisfaction results provide vital information for understanding your customers and the marketplace. In many cases, such results and trends provide the most meaningful information, not only on your customers' views but also on their marketplace behaviors—repeat business and positive referrals.

3.1 Customer and Market Knowledge

Purpose

This Item examines your organization's key processes for gaining knowledge about your current and future customers and markets, with the aim of offering relevant products and services, understanding emerging customer requirements and expectations, and keeping pace with marketplace changes and changing ways of doing business.

Requirements

You are asked how you determine key customer groups and how you segment your markets. You are asked how you consider potential customers, including your competitors' customers. You are asked how you determine key requirements for and drivers of purchase decisions and how you determine key product/service features. You also are asked how these determinations include relevant information from current and former customers.

Finally, you are asked how you keep your customer listening and learning methods current with your changing business needs and directions.

Comments

- In a rapidly changing competitive environment, many factors may affect customer preference and loyalty and your interface with customers in the marketplace. This makes it necessary to listen and learn on a continuous basis. To be effective, listening and learning need to be closely linked with your organization's overall business strategy.

- Knowledge of customer groups and market segments allows your organization to tailor listening and learning strategies and marketplace offerings, to support and tailor your marketing strategies, and to develop new business.

- A relationship strategy may be possible with some customers but not with others. Differing relationships may require distinctly different listening and learning strategies. The use of e-commerce is rapidly changing many marketplaces and may affect your listening and learning strategies, as well as your definition of customer groups and market segments.

- Selection of listening and learning strategies depends on your organization's key business factors. Increasingly, companies interact with customers via multiple modes. Some frequently used modes include focus groups with key customers; close integration with key customers; interviews with lost customers about their purchase decisions; use of the customer complaint process to understand key product and service attributes; won/lost analysis relative to competitors; and survey/feedback information, including information collected on the Internet.

3.2 Customer Relationships and Satisfaction

Purpose

This Item examines your organization's processes for building customer relationships and determining customer satisfaction, with the aim of acquiring new customers, retaining existing customers, and developing new market opportunities.

Requirements

You are asked how you build relationships to acquire and satisfy customers and to develop repeat business and positive referrals.

You are asked how you determine key customer contact requirements and how these vary for different modes of access. As part of this response, you are asked to describe key access mechanisms for customers to seek information, conduct business, and make complaints. You are asked how customer contact requirements are deployed along the entire response chain.

You are asked to describe your complaint management process. This description should include how you ensure prompt and effective problem resolution. The description also should cover how all complaints are aggregated and analyzed for use in improvement throughout your organization and by your partners, as appropriate.

You are asked how you keep your approaches to relationship building and customer access current with your changing business needs and directions.

You are asked how you determine customer satisfaction and dissatisfaction, including how you capture actionable information that reflects customers' future business and/or positive referral.

You are asked how you follow up with customers regarding products/services and recent transactions to receive prompt and actionable feedback.

You are asked how you obtain and use information on customer satisfaction relative to satisfaction with competitors and/or benchmarks so you can gauge your performance in the marketplace.

Finally, you are asked how you keep your methods for determining customer satisfaction current with your changing business needs and directions.

Comments

- This Item emphasizes how you obtain actionable information from customers. Information that is actionable can be tied to key product, service, and business processes and be used to determine cost/revenue implications for setting improvement and change priorities.

- Complaint aggregation, analysis, and root cause determination should lead to effective elimination of the causes of complaints and to setting priorities for process, product, and service improvements. Successful outcomes require effective deployment of information throughout the organization.

- In determining customers' satisfaction, a key aspect is their comparative satisfaction with competitors and competing or alternative offerings. Such information might be derived from your own comparative studies or from independent studies. The factors that lead to customer preference are of critical importance in understanding factors that drive markets and potentially affect longer-term competitiveness.

- Changing business needs and directions might include new modes of customer access, such as the Internet. In such cases, key contact requirements might include on-line security for customers and access to personal assistance.

The ***Information and Analysis*** Category examines your organization's information management and performance measurement systems and how your organization analyzes performance data and information.

4.1 Measurement and Analysis of Organizational Performance (50 pts.)

Approach – Deployment

Describe how your organization provides effective performance management systems for measuring, analyzing, aligning, and improving performance at all levels and in all parts of your organization.

Within your response, include answers to the following questions:

a. Performance Measurement

(1) How do you gather and integrate data and information from all sources to support daily operations and organizational decision-making?

(2) How do you select and align measures/indicators for tracking daily operations and overall organizational performance?

(3) How do you select and ensure the effective use of key comparative data and information?

(4) How do you keep your performance measurement system current with business needs and directions?

b. Performance Analysis

(1) What analyses do you perform to support your senior leaders' organizational performance review and your organization's strategic planning?

(2) How do you communicate the results of organizational-level analysis to work group and/or functional-level operations to enable effective support for decision-making?

(3) How do you align the results of organizational-level analysis with your key business results, strategic objectives, and action plans? How do these results provide the basis for projections of continuous and breakthrough improvements in performance?

Notes:

N1. Performance measurement is used in fact-based decision making for setting and aligning organizational directions and resource use at the work unit, key process, departmental, and whole organization levels.

N2. Comparative data and information sources (4.1a[3]) include benchmarking and competitive comparisons. "Benchmarking" refers to identifying processes and results that represent best practices and performance for similar activities, inside or outside your organization's industry. Competitive comparisons relate your organization's performance to that of competitors in your markets.

N3. Analysis includes examining trends; organizational, industry, and technology projections; and comparisons, cause-effect relationships, and correlations intended to support your performance reviews, help determine root causes, and help set priorities for resource use. Accordingly, analysis draws upon all types of data: customer-related, financial and market, operational, and competitive.

N4. The results of organizational performance analysis should contribute to your senior leaders' organizational performance review in 1.1b and organizational strategic planning in Category 2.

N5. Your organizational performance results should be reported in Items 7.1, 7.2, 7.3, and 7.4.

For definitions of the following key terms, see Glossary section: analysis and effective.

For additional description of this Item, see Item Descriptions and Comments section.

4.2 Information Management (40 pts.)

Approach – Deployment

Describe how your organization ensures the quality and availability of needed data and information for employees, suppliers/partners, and customers.

Within your response, include answers to the following questions:

a. Data Availability

(1) How do you make needed data and information available? How do you make them accessible to employees, suppliers/partners, and customers, as appropriate?

(2) How do you ensure data and information integrity, reliability, accuracy, timeliness, security, and confidentiality?

(3) How do you keep your data and information availability mechanisms current with business needs and directions?

b. Hardware and Software Quality

(1) How do you ensure that hardware and software are reliable and user friendly?

(2) How do you keep your software and hardware systems current with business needs and directions?

Notes:

N1. Data availability (4.2a) is of growing importance as the Internet and e-business/e-commerce are used increasingly for business-to-business and business-to-consumer interactions and intranets become more important as a major source of organization-wide communications.

N2. Data and information access (4.2a[1]) might be via electronic and other means.

For additional description of this Item, see Item Descriptions and Comments section.

Information and Analysis (Category 4): ITEM DESCRIPTIONS AND COMMENTS

The Information and Analysis Category is the main point within the Criteria for all key information about effectively measuring and analyzing performance to drive improvement and organizational competitiveness. In the simplest terms, Category 4 is the “brain center” for the alignment of your organization’s operations and its strategic objectives. Central to such use of data and information are their quality and availability. Furthermore, since information and analysis might themselves be primary sources of competitive advantage and productivity growth, the Category also includes such strategic considerations.

4.1 Measurement and Analysis of Organizational Performance

Purpose

This Item examines your organization’s selection, management, and use of data and information for performance measurement and analysis in support of organizational planning and performance improvement. The Item serves as a central collection and analysis point in an integrated performance measurement and management system that relies on financial and nonfinancial data and information. The aim of measurement and analysis is to guide your organization’s process management toward the achievement of key business results and strategic objectives.

Requirements

You are asked how you gather and integrate data and information for monitoring daily operations and supporting organizational decision-making and how you select and use measures for tracking those operations and overall organizational performance. You also are asked how you select and use comparative data and information to help drive performance improvement. These requirements address the major components of an effective performance measurement system.

You are asked what analyses you perform to support your senior leaders’ assessment of overall organizational performance and your strategic planning. You are asked how the results of organizational-level analysis are communicated to support decision making throughout your organization and are aligned with your business results, strategic objectives, and action plans.

Finally, you are asked how you keep your organization’s performance measurement system current with changing business needs and directions.

Comments

- Alignment and integration are key concepts for successful implementation of your performance measurement system. They are viewed in terms of extent and effectiveness of use to meet your performance assessment needs. Alignment and integration include how measures are aligned throughout your organization, how they are integrated to yield organization-wide data/information, and how performance measurement requirements are deployed by your senior leaders to track work group and process-level performance on key measures targeted for organization-wide significance and/or improvement.

- The use of comparative data and information is important to all organizations. The major premises for use are (1) your organization needs to know where it stands relative to competitors and to best practices, (2) comparative and benchmarking information often provides the impetus for significant (“breakthrough”) improvement or change, and (3) comparing performance information frequently leads to a better understanding of your processes and their performance. Benchmarking information also may support business analysis and decisions relating to core competencies, alliances, and outsourcing.

- Your effective selection and use of comparative data and information require the following: (1) determination of needs and priorities; (2) criteria for seeking appropriate sources for comparisons—from within and outside your organization’s industry and markets; and (3) use of data and information to set stretch goals and to promote major, nonincremental (“breakthrough”) improvements in areas most critical to your organization’s competitive strategy.

- Individual facts and data do not usually provide an effective basis for setting organizational priorities. This Item emphasizes that close alignment is needed between your analysis and your organizational performance review and between your analysis and your organizational planning. This ensures that analysis is relevant to decision making and that decision-making is based on relevant data and information.

- Action depends on understanding cause-effect connections among processes and between processes and business/performance results. Process actions and their results may have many resource implications. Organizations have a critical need to provide an effective analytical basis for decisions because resources for improvement are limited and cause-effect connections are often unclear.

- Analyses that your organization conducts to gain an understanding of performance and needed actions may vary widely depending on your type of organization, size, competitive environment, and other factors. Examples of possible analyses include:

    - how product and service quality improvement correlates with key customer indicators such as customer satisfaction, customer retention, and market share
    - cost/revenue implications of customer-related problems and effective problem resolution
    - interpretation of market share changes in terms of customer gains and losses and changes in customer satisfaction
    - improvement trends in key operational performance indicators such as productivity, cycle time, waste reduction, new product introduction, and defect levels
    - relationships between employee/organizational learning and value added per employee
    - financial benefits derived from improvements in employee safety, absenteeism, and turnover
    - benefits and costs associated with education and training, including Internet-based, or e-learning, opportunities
    - benefits and costs associated with improved organizational knowledge management and sharing
    - how the ability to identify and meet employee requirements correlates with employee retention, motivation, and productivity
    - cost/revenue implications of employee-related problems and effective problem resolution
    - individual or aggregate measures of productivity and quality relative to competitors'
    - cost trends relative to competitors'
    - relationships among product/service quality, operational performance indicators, and overall financial performance trends as reflected in indicators such as operating costs, revenues, asset utilization, and value added per employee
    - allocation of resources among alternative improvement projects based on cost/benefit implications or environmental/community impact
    - net earnings derived from quality, operational, and human resource performance improvements
    - comparisons among business units showing how quality and operational performance improvement affect financial performance
    - contributions of improvement activities to cash flow, working capital use, and shareholder value

    - profit impacts of customer retention
    - cost/revenue implications of new market entry, including global market entry or expansion
    - cost/revenue, customer, and productivity implications of engaging in and/or expanding e-commerce/e-business and use of the Internet and intranets
    - market share versus profits
    - trends in economic, market, and shareholder indicators of value

- The availability of electronic data and information of many kinds (e.g., financial, operational, customer-related, accreditation/regulatory) and from many sources (e.g., internal, third party, and public sources; the Internet; Internet tracking software) permits extensive analysis and correlations. Effectively utilizing and prioritizing this wealth of information are significant organizational challenges.

4.2 Information Management

Purpose

This Item examines how your organization ensures the availability of high-quality, timely data and information for all your key users—employees, suppliers/partners, and customers.

Requirements

You are asked how you make data and information available and accessible to your user communities. You are asked how you ensure that the data and information have all the characteristics your users expect: reliability, accuracy, timeliness, and appropriate levels of security and confidentiality.

You also are asked how you ensure that your hardware systems and software are reliable and user friendly so that access is facilitated and encouraged.

Finally, you are asked how you keep your data availability mechanisms, software, and hardware current with changing business needs and directions.

Comments

- Managing information can require a significant commitment of resources as the sources of data and information grow dramatically. The expanding use of electronic information within organizations' operations, as part of organizational knowledge networks, from the Internet, and in business-to-business and business-to-consumer communications challenges organizational abilities to ensure reliability and availability in a user-friendly format.

- Data and information are especially important in business networks, alliances, and supply chains. Your responses to this Item should take into account this use of data and information and should recognize the need for rapid data validation and reliability assurance, given the increasing use of electronic data transfer.

The ***Human Resource Focus*** Category examines how your organization motivates and enables employees to develop and utilize their full potential in alignment with your organization's overall objectives and action plans. Also examined are your organization's efforts to build and maintain a work environment and an employee support climate conducive to performance excellence and to personal and organizational growth.

5.1 Work Systems (35 pts.)

Approach – Deployment

Describe how your organization's work and jobs, compensation, career progression, and related workforce practices motivate and enable employees and the organization to achieve high performance.

Within your response, include answers to the following questions:

a. Work Systems

(1) How do you organize and manage work and jobs to promote cooperation, initiative/innovation, your organizational culture, and the flexibility to keep current with business needs? How do you achieve effective communication and knowledge/skill sharing across work units, jobs, and locations, as appropriate?

(2) How do you motivate employees to develop and utilize their full potential? Include formal and/or informal mechanisms you use to help employees attain job- and career-related development/learning objectives and the role of managers and supervisors in helping employees attain these objectives.

(3) How does your employee performance management system, including feedback to employees, support high performance and a customer and business focus? How do your compensation, recognition, and related reward/incentive practices reinforce these objectives?

(4) How do you accomplish effective succession planning for senior leadership and throughout the organization?

(5) How do you identify characteristics and skills needed by potential employees? How do you recruit, hire, and retain new employees? How do your work systems capitalize on the diverse ideas, cultures, and thinking of the communities with which you interact (your employee hiring and customer communities)?

Notes:

N1. "Employees" refers to your organization's permanent, temporary, and part-time personnel, as well as any contract employees supervised by your organization. Employees include team leaders, supervisors, and managers at all levels. Contract employees supervised by a contractor should be addressed in business or support processes in Category 6.

N2. "Your organization's work" refers to how your employees are organized and/or organize themselves in formal and informal, temporary, or longer-term units. This might include work teams, process teams, customer action teams, problem-solving teams, centers of excellence, functional units, cross-functional teams, and departments—self-managed or managed by supervisors.

"Jobs" refers to responsibilities, authorities, and tasks of individuals. In some work systems, jobs might be shared by a team.

N3. Compensation and recognition (5.1a[3]) include promotions and bonuses that might be based upon performance, skills acquired, and other factors. Recognition includes monetary and nonmonetary, formal and informal, and individual and group mechanisms.

For definitions of the following key terms, see Glossary section: high-performance work, performance excellence, and work systems.

For additional description of this Item, see Item Descriptions and Comments section.

5.2 Employee Education, Training, and Development (25 pts.) Approach – Deployment

Describe how your organization's education and training support the achievement of your overall objectives, including building employee knowledge, skills, and capabilities and contributing to high performance.

Within your response, include answers to the following questions:

a. Employee Education, Training, and Development

(1) How do education and training contribute to the achievement of your action plans? How does your education and training approach balance short- and longer-term organizational objectives and employee needs, including development, learning, and career progression?

(2) How do you seek and use input from employees and their supervisors/managers on education and training needs and delivery options?

(3) How do you address in your employee education, training, and development your key organizational needs associated with technological change, management/leadership development, new employee orientation, safety, performance measurement/improvement, and diversity?

(4) How do you deliver education and training? Include formal and informal delivery, including mentoring and other approaches, as appropriate. How do you evaluate the effectiveness of education and training, taking into account individual and organizational performance?

(5) How do you reinforce the use of knowledge and skills on the job?

Notes:

N1. Technological change (5.2a[3]) might include computer and Internet literacy.

N2. Education and training delivery (5.2a[4]) might occur inside or outside your organization and involve on-the-job, classroom, computer-based, distance learning, and/or other types of delivery (formal or informal).

For additional description of this Item, see Item Descriptions and Comments section.

5.3 Employee Well-Being and Satisfaction (25 pts.)

Approach – Deployment

Describe how your organization maintains a work environment and an employee support climate that contribute to the well-being, satisfaction, and motivation of all employees.

Within your response, include answers to the following questions:

a. Work Environment

How do you improve workplace health, safety, and ergonomics? How do employees take part in improving them? Include performance measures and/or targets for each key environmental factor. Also include significant differences, if any, based on varying work environments for employee groups and/or work units.

b. Employee Support and Satisfaction

(1) How do you determine the key factors that affect employee well-being, satisfaction, and motivation? How are these factors segmented for a diverse workforce and for varying categories and types of employees, as appropriate?

(2) How do you support your employees via services, benefits, and policies? How are these tailored to the needs of a diverse workforce and different categories and types of employees, as appropriate?

(3) What formal and/or informal assessment methods and measures do you use to determine employee well-being, satisfaction, and motivation? How do you tailor these methods and measures to a diverse workforce and to different categories and types of employees, as appropriate? How do you use other indicators, such as employee retention, absenteeism, grievances, safety, and productivity, to assess and improve employee well-being, satisfaction, and motivation?

(4) How do you relate assessment findings to key business results to identify priorities for improving the work environment and employee support climate?

Notes:

N1. Specific factors that might affect your employees' well-being, satisfaction, and motivation (5.3b[1]) include effective employee problem or grievance resolution; safety factors; employees' views of management; employee training, development, and career opportunities; employee preparation for changes in technology or the work organization; the work environment and other work conditions; management's empowerment of employees; information sharing by management; workload; cooperation and teamwork; recognition; services and benefits; communications; job security; compensation; and equal opportunity.

N2. Approaches for employee support (5.3b[2]) might include providing counseling, career development and employability services, recreational or cultural activities, nonwork-related education, day care, job rotation or sharing, special leave for family responsibilities or community service, home safety training, flexible work hours and location, outplacement, and retirement benefits (including extended health care).

N3. Measures/indicators of well-being, satisfaction, and motivation (5.3b[3]) might include data on safety and absenteeism, the overall turnover rate, the turnover rate for customer contact employees, employees' charitable contributions, grievances, strikes, other job actions, insurance costs, worker's compensation claims, and results of surveys. Survey indicators of satisfaction might include employee knowledge of job roles, employee knowledge of organizational direction, and employee perception of empowerment and information sharing. Your results relative to such measures/indicators should be reported in Item 7.3.

N4. Setting priorities (5.3b[4]) might draw upon your human resource results presented in Item 7.3 and might involve addressing employee problems based on their impact on your organizational performance.

For additional description of this Item, see Item Descriptions and Comments section.

Human Resource Focus (Category 5): ITEM DESCRIPTIONS AND COMMENTS

Human Resource Focus addresses key human resource practices—those directed toward creating and maintaining a high-performance workplace and toward developing employees to enable them and your organization to adapt to change. The Category covers human resource development and management requirements in an integrated way, i.e., aligned with your organization's strategic objectives. Your human resource focus includes your work environment and your employee support climate.

To reinforce the basic alignment of human resource management with overall strategy, the Criteria also cover human resource planning as part of overall planning in the Strategic Planning Category.

5.1 Work Systems

Purpose

This Item examines your organization's systems for work and jobs, compensation, employee performance management, motivation, recognition, communication, and hiring, with the aim of enabling and encouraging all employees to contribute effectively and to the best of their ability. These systems are intended to foster high performance, to result in individual and organizational learning, and to enable adaptation to change.

Requirements

You are asked how you organize and manage work and jobs to promote cooperation, initiative/innovation, and flexibility. You are asked how you achieve effective communication and knowledge/skill sharing. You also are asked how your managers and supervisors motivate employees to develop and utilize their full potential, including the mechanisms you use to attain job- and career-related learning objectives.

You are asked how your employee performance management system, including feedback to employees, supports high performance and a customer/business focus. This should include how compensation, recognition, and related practices reinforce these objectives.

You are asked how you accomplish effective succession planning for senior leadership and others.

Finally, you are asked how you identify the capabilities needed by potential employees and how you recruit, hire, and retain new employees. Your considerations should include the ability of your work system to benefit from the diverse ideas and cultures of your communities.

Comments

- High-performance work is characterized by flexibility, innovation, knowledge and skill sharing, alignment with organizational objectives, customer focus, and rapid response to changing business needs and requirements of the marketplace. The focus of this Item is on a workforce capable of achieving high performance. In addition to enabled employees and proper work system design, high-performance work requires ongoing education and training, as well as information systems that ensure proper information flow. To help employees realize their full potential, many organizations use individual development plans prepared with each employee and addressing his/her career and learning objectives.

- Work and job factors for your consideration include simplification of job classifications, cross-training, job rotation, use of teams (including self-directed teams), and changes in work layout and location. Also important is effective communication across functions and work units to ensure a focus on customer requirements and to ensure an environment with trust, knowledge sharing, and mutual respect.

- Compensation and recognition systems should be matched to your work systems. To be effective, compensation and recognition might be tied to demonstrated skills and/or to peer evaluations. Compensation and recognition approaches also might include profit sharing, rewarding exemplary team or unit performance, and linkage to customer satisfaction and loyalty measures or other business objectives.

- The requirements of high-performance work, coupled with the challenges of tight labor markets, necessitate more attention to succession planning and hiring profiles. This should include and capitalize on diversity factors.

5.2 Employee Education, Training, and Development

Purpose

This Item examines the education, training, and on-the-job reinforcement of knowledge and skills of your organization's workforce, with the aim of meeting ongoing needs of employees and a high-performance workplace.

Requirements

You are asked how education and training tie to your action plans, including how education and training balance short- and longer-term individual and organizational objectives. You are asked how you seek and use input on education and training needs and delivery from those most directly benefiting—employees and their supervisors/managers.

You are asked how you address key organizational needs associated with technological change, management/ leadership development, orientation of new employees, safety, performance improvement, and diversity.

You are asked how you deliver and evaluate education and training, taking into account individual and organizational performance. Finally, you are asked how you reinforce knowledge and skills on the job.

Comments

- Depending on the nature of your organization's work, employees' responsibilities, and the stage of organizational and personal development, education and training needs might vary greatly. These needs might include gaining skills for knowledge sharing, communications, teamwork, problem solving, interpreting and using data, meeting customer requirements, process analysis and simplification, waste and cycle time reduction, and setting priorities based on strategic alignment or cost/benefit analysis. Education needs also might include basic skills, such as reading, writing, language, arithmetic, and, increasingly, basic computer skills.

- Education and training delivery might occur inside or outside your organization and could involve on-the-job, classroom, computer-based, or distance learning, as well as other types of delivery. Training also might occur through developmental assignments within or outside your organization.

- When you evaluate education and training, you should seek effectiveness measures as a critical part of the evaluation. Such measures might address the impact on individual, unit, and organizational performance; the impact on customer-related performance; and a cost/ benefit analysis of the training.

- Although this Item does not specifically ask you about training for customer contact employees, such training is important and common. It frequently includes learning critical knowledge and skills in the following areas: your products, services, and customers; how to listen to customers; recovery from problems or failures; and how to effectively manage customer expectations.

5.3 Employee Well-Being and Satisfaction

Purpose

This Item examines your organization's work environment, your employee support climate, and how you determine employee satisfaction, with the aim of fostering the well-being, satisfaction, and motivation of all employees while recognizing their diverse needs.

Requirements

You are asked how you ensure a safe and healthful work environment for all employees, taking into account their differing work environments and associated requirements. Special emphasis is placed on how employees contribute to identifying important factors and to improving workplace safety. You also are asked to identify appropriate measures and targets for key environmental factors so that status and progress can be tracked.

You are asked how you determine the key factors that affect employee well-being, satisfaction, and motivation. Included is how these factors are segmented for a diverse workforce and different categories/types of employees. In addition, you are asked how your services, benefits, and policies support employee well-being, satisfaction, and motivation based upon a holistic view of this key stakeholder group. Special emphasis is placed on the variety of approaches you use to satisfy a diverse workforce with differing needs and expectations.

You are asked to describe formal and/or informal assessment methods and measures you use to determine employee well-being, satisfaction, and motivation. This description should include how you tailor these methods and measures to a diverse workforce and how you use other indicators (e.g., employee turnover) to support your assessment. Finally, you are asked how you relate assessment findings to key business results to identify key priorities.

Comments

- Most organizations, regardless of size, have many opportunities to contribute to employees' well-being, satisfaction, and motivation. Some examples of services, facilities, activities, and other opportunities are personal and career counseling; career development and employability services; recreational or cultural activities; formal and informal recognition; non-work-related education; day care; special leave for family responsibilities and/or community service; flexible work hours and benefits packages; outplacement services; and retiree benefits, including extended health care and access to employee services.

- Although satisfaction with pay and satisfaction with promotion are important, these two factors generally are not sufficient to ensure overall employee satisfaction, motivation, and high performance. Some examples of other factors to consider are effective employee problem and grievance resolution; employee development and career opportunities; work environment and management support; workload; communication, cooperation, and teamwork; job security; appreciation of the differing needs of diverse employee groups; and organizational support for serving customers.

- In addition to direct measures of employee satisfaction and well-being through formal or informal surveys, some other indicators include absenteeism, turnover, grievances, strikes, Occupational Safety and Health Administration (OSHA) reportables, and worker's compensation claims.

The ***Process Management*** Category examines the key aspects of your organization's process management, including customer-focused design, product and service delivery, key business, and support processes. This Category encompasses all key processes and all work units.

6.1 Product and Service Processes (45 pts.)

Approach – Deployment

Describe how your organization manages key processes for product and service design and delivery.

Within your response, include answers to the following questions:

a. Design Processes

(1) What are your design processes for products/services and their related production/delivery systems and processes?

(2) How do you incorporate changing customer/market requirements into product/service designs and production/delivery systems and processes?

(3) How do you incorporate new technology, including e-technology, into products/services and into production/delivery systems and processes, as appropriate?

(4) How do your design processes address design quality and cycle time, transfer of learning from past projects and other parts of the organization, cost control, new design technology, productivity, and other efficiency/effectiveness factors?

(5) How do you design your production/delivery systems and processes to meet all key operational performance requirements?

(6) How do you coordinate and test your design and production/delivery systems and processes? Include how you prevent defects/rework and facilitate trouble-free and timely introduction of products/services.

b. Production/Delivery Processes

(1) What are your key production/delivery processes and their key performance requirements?

(2) How does your day-to-day operation of key production/delivery processes ensure meeting key performance requirements?

(3) What are your key performance measures/indicators used for the control and improvement of these processes? Include how in-process measures and real-time customer and supplier/partner input are used in managing your product and service processes, as appropriate.

(4) How do you perform inspections, tests, and process/performance audits to minimize warranty and/or rework costs, as appropriate? Include your prevention-based processes for controlling inspection and test costs, as appropriate.

(5) How do you improve your production/delivery systems and processes to achieve better process performance and improvements to products/services, as appropriate? How are improvements shared with other organizational units and processes and your suppliers/partners, as appropriate?

Notes:

N1. Product and service design, production, and delivery processes differ greatly among organizations, depending on many factors. These factors include the nature of your products and services, technology requirements, issues of modularity and parts commonality, customer and supplier relationships and involvement, and product and service customization. Responses to Item 6.1 should be based upon the most critical requirements for your business.

N2. Responses to Item 6.1 should include how your customers and key suppliers and partners are involved in your design processes, as appropriate.

N3. The results of operational improvements in your product and service design and delivery processes should be reported in Item 7.4. Results of improvements in product and service performance should be reported in Item 7.1.

For definitions of the following key terms, see Glossary section: cycle time and productivity.

For additional description of this Item, see Item Descriptions and Comments section.

6.2 Business Processes (25 pts.)

Approach – Deployment

Describe how your organization manages its key processes that lead to business growth and success.

Within your response, include answers to the following questions:

a. Business Processes

(1) What are your key business processes for business growth and success?

(2) How do you determine key business process requirements, incorporating input from customers and suppliers/partners, as appropriate? What are the key requirements for these processes?

(3) How do you design and perform these processes to meet all the key requirements?

(4) What are your key performance measures/indicators used for the control and improvement of these processes? Include how in-process measures and customer and supplier feedback are used in managing your business processes, as appropriate.

(5) How do you minimize overall costs associated with inspections, tests, and process/performance audits, as appropriate?

(6) How do you improve your business processes to achieve better performance and to keep them current with business needs and directions? How are improvements shared with other organizational units and processes, as appropriate?

Notes:

N1. Your key business processes are those nonproduct/nonservice processes that are considered most important to business growth and success by your organization's senior leaders. These might include processes for innovation, research and development, technology acquisition, information and knowledge management, supply chain management, supplier partnering, outsourcing, mergers and acquisitions, global expansion, project management, and sales/marketing. The key business processes to be included in Item 6.2 are distinctive to your organization and how you operate.

N2. To provide as complete and concise a response as possible for your key business processes, you might want to use a tabular format identifying the key processes and the attributes of each as called for in questions 6.2a(1)–6.2a(4).

N3. The results of improvements in your key business processes and key business process performance results should be reported in Item 7.4.

For additional description of this Item, see Item Descriptions and Comments section.

6.3 Support Processes (15 pts.)

Approach – Deployment

Describe how your organization manages its key processes that support your daily operations and your employees in delivering products and services.

Within your response, include answers to the following questions:

a. Support Processes

(1) What are your key processes for supporting your daily operations and your employees in delivering products and services?

(2) How do you determine key support process requirements, incorporating input from internal customers, as appropriate? What are the key operational requirements (such as productivity and cycle time) for these processes?

(3) How do you design these processes to meet all the key requirements?

(4) How does your day-to-day operation of key support processes ensure meeting key performance requirements?

(5) What are your key performance measures/indicators used for the control and improvement of these processes? Include how in-process measures and internal customer feedback are used in managing your support processes, as appropriate.

(6) How do you minimize overall costs associated with inspections, tests, and process/performance audits?

(7) How do you improve your support processes to achieve better performance and to keep them current with business needs and directions? How are improvements shared with other organizational units and processes, as appropriate?

Notes:

N1. Your key support processes are those that are considered most important for support of your organization's product/service design and delivery processes and daily operations. These might include finance and accounting, facilities management, legal, human resource, and administration processes.

N2. The results of improvements in your key support processes and key support process performance results should be reported in Item 7.4.

For additional description of this Item, see Item Descriptions and Comments section.

Process Management (Category 6): ITEM DESCRIPTIONS AND COMMENTS

Process Management is the focal point within the Criteria for all key work processes. Built into the Category are the central requirements for efficient and effective process management: effective design; a prevention orientation; linkage to suppliers and partners and a focus on supply chain integration; operational performance; cycle time; and evaluation, continuous improvement, and organizational learning.

Agility, cost reduction, and cycle time reduction are increasingly important in all aspects of process management and organizational design. In simplest terms, "agility" refers to your ability to adapt quickly, flexibly, and effectively to changing requirements. Depending on the nature of your organization's strategy and markets, agility might mean rapid changeover from one product to another, rapid response to changing demands, or the ability to produce a wide range of customized services. Agility also increasingly involves decisions to outsource, agreements with key suppliers, and novel partnering arrangements. Flexibility might demand special strategies, such as implementing modular designs, sharing components, sharing manufacturing lines, and providing specialized training. Cost and cycle time reduction often involve agile process management strategies. It is crucial to utilize key measures for tracking all aspects of your overall process management.

6.1 Product and Service Processes

Purpose

This Item examines your organization's key product and service design and delivery processes, with the aim of improving your marketplace and operational performance.

Requirements

You are asked to identify your key design processes for products and services and their related production and delivery processes. You are asked how you address key requirements, such as customer/market requirements and new technology, including e-technology. You also are asked how you address key factors in design effectiveness, including cost control, cycle time, and learning from past design projects. Finally, you are asked how you ensure that design processes cover all key operational performance requirements and appropriate coordination and testing to ensure effective product/service launch without need for rework.

You are asked to identify your key production/delivery processes, their key performance requirements, and key performance measures. These requirements and measures are the basis for maintaining and improving your products, services, and production/delivery processes. You also are asked how you perform inspections, tests, and audits to minimize rework and warranty costs, and you are asked about your prevention-based processes for minimizing the need for inspections, tests, and audits. Finally, you are asked how you improve your production/delivery systems and processes to achieve better processes and products/services.

Comments

- Your design approaches could differ appreciably depending on the nature of your products/services—whether the products/services are entirely new, variants, or involve major or minor process changes. You should consider the key requirements for your products and services. Factors that might need to be considered in design include safety, long-term performance, environmental impact, "green" manufacturing, measurement capability, process capability, manufacturability, maintainability, variability in customer expectations requiring product/service options, supplier capability, and documentation. Effective design also must consider cycle time and productivity of production and delivery processes. This might involve detailed mapping of manufacturing or service processes and redesigning ("re-engineering") those processes to achieve efficiency, as well as to meet changing customer requirements.

- This Item calls for information on the incorporation of new technology, including e-technology. E-technology might include sharing information with suppliers/partners, communicating with customers and giving them continuous (24/7) access, and automated information transfer from in-service products requiring maintenance in the field.

- Many organizations need to consider requirements for suppliers/partners at the design stage. Overall, effective design must take into account all stakeholders in the value chain. If many design projects are carried out in parallel or if your organization's products utilize parts, equipment, and facilities that are used for other products, coordination of resources might be a major concern, but it also might offer a means to significantly reduce unit costs and time to market.

- Coordination of design and production/delivery processes involves all work units and/or individuals who will take part in production/delivery and whose performance materially affects overall process outcome. This might include groups such as R&D, marketing, design, product/process engineering, and key suppliers.

- This Item calls for information on the management and improvement of key production/delivery processes. The information required includes a description of the key processes, their specific requirements, and how performance relative to these requirements is determined and maintained. Increasingly, these requirements might include the need for agility—speed and flexibility—to adapt to change.

- Specific reference is made to in-process measurements and customer/supplier interactions. These measurements and interactions require the identification of critical points in processes for measurement, observation, or interaction. These activities should occur at the earliest points possible in processes to minimize problems and costs that may result from deviations from expected performance. Achieving expected performance frequently requires setting performance levels or standards to guide decision making. When deviations occur, corrective action is required to restore the performance of the process to its design specifications. Depending on the nature of the process, the corrective action could involve technical and/or human considerations. Proper corrective action involves changes at the source (root cause) of the deviation. Such corrective action should minimize the likelihood of this type of variation occurring again or elsewhere in your organization. When customer interactions are involved, differences among customers must be considered in evaluating how well the process is performing. This might entail allowing for specific or general contingencies, depending on the customer information gathered. This is especially true of professional and personal services.

- This Item also calls for information on how processes are improved to achieve better performance. Better performance means not only better quality from your customers' perspective but also better financial and operational performance—such as productivity—from your organization's perspective. A variety of process improvement approaches are commonly used. These approaches include (1) sharing successful strategies across your organization, (2) process analysis and research (e.g., process mapping, optimization experiments, error proofing), (3) research and development results, (4) benchmarking, (5) using alternative technology, and (6) using information from customers of the processes—within and outside your organization. Process improvement approaches might utilize financial data to evaluate alternatives and set priorities. Together, these approaches offer a wide range of possibilities, including complete redesign ("re-engineering") of processes.

6.2 Business Processes

Purpose

This Item examines your organization's key nonproduct/nonservice business processes, with the aim of improving business success.

Requirements

You are asked to identify your key business processes and their design requirements. You are asked how your organization's key business processes are designed and performed to meet all your requirements and how you incorporate input from customers and suppliers/partners, as appropriate.

You are asked to identify your key performance measures for the control and improvement of your business processes, including how in-process measures and customer and supplier feedback are used.

You are asked how you minimize costs associated with inspections, tests, and audits through use of prevention-based processes. Finally, you are asked how you improve your business processes to achieve better performance and to keep them current with your changing business needs and directions.

Comments

- Your key business processes are those nonproduct/nonservice processes that are considered most important to business growth and success by your senior leaders. These processes frequently relate to an organization's strategic objectives and critical success factors. Key business processes might include processes for innovation, research and development, technology acquisition, information and knowledge management, supply chain management, supplier partnering, outsourcing mergers and acquisitions, global expansion, project management, and sales/marketing. Given the diverse nature of these processes, the requirements and performance characteristics might vary significantly for different processes.

- For many organizations, supply chain management is a growing factor in achieving productivity and profitability goals and overall business success. Suppliers and partners are receiving increasing strategic attention as organizations re-evaluate their core functions. Supplier processes should fulfill two purposes: to help improve their performance of suppliers and partners and also on specific actions to help them contribute to your organization's improved performance. Supply chain management might include processes for supplier selection, with the aim of reducing the total number of suppliers and increasing preferred supplier and partnering agreements.

6.3 Support Processes

Purpose

This Item examines your organization's key support processes, with the aim of improving your overall operational performance.

Requirements

You are asked to identify your key support processes and their design requirements. You are asked how your organization's key support processes are designed to meet all your requirements and how you incorporate input from internal customers, as appropriate. You also are asked how day-to-day operation of your key support processes ensures meeting the key requirements, including how in-process measures and internal customer feedback are used.

You are asked how you minimize costs associated with inspection, tests, and audits through use of prevention-based processes. Finally, you are asked how you improve your key support processes to achieve better performance and to keep them current with your changing business needs and directions.

Comments

- Your support processes are those that support your daily operations and your product and/or service delivery but are not usually designed in detail with the products and services. The support process requirements usually do not depend significantly on product and service characteristics. Support process design requirements usually depend significantly on your internal requirements, and they must be coordinated and integrated to ensure efficient, effective linkage and performance. Support processes might include finance and accounting, facilities management, legal services, human resource services, public relations and other administrative services.

- This Item calls for information on how your organization evaluates and improves the performance of your key support processes. Four approaches frequently used are (1) process analysis and research, (2) benchmarking, (3) use of alternative technology, and (4) use of information from customers of the processes. Together, these approaches offer a wide range of possibilities, including complete redesign ("re-engineering") of processes.

The ***Business Results*** Category examines your organization's performance and improvement in key business areas—customer satisfaction, product and service performance, financial and marketplace performance, human resource results, and operational performance. Also examined are performance levels relative to those of competitors.

7.1 Customer-Focused Results (125 pts.) **Results**

Summarize your organization's key customer-focused results, including customer satisfaction and product and service performance results. Segment your results by customer groups and market segments, as appropriate. Include appropriate comparative data.

Provide data and information to answer the following questions:

a. Customer Results

(1) What are your current levels and trends in key measures/indicators of customer satisfaction and dissatisfaction, including comparisons with competitors' levels of customer satisfaction?

(2) What are your current levels and trends in key measures/indicators of customer-perceived value, customer retention, positive referral, and/or other aspects of building relationships with customers, as appropriate?

b. Product and Service Results

What are your current levels and trends in key measures/indicators of product and service performance that are important to your customers?

Notes:

N1. Customer satisfaction and dissatisfaction results reported in this Item should relate to determination methods and data described in Item 3.2.

N2. Measures/indicators of customers' satisfaction with your products/services relative to customers' satisfaction with competitors might include objective information and data from your customers and from independent organizations.

N3. Service performance (7.1b) might include measures of success in providing nontraditional services to customers, such as Internet-based services.

For definitions of the following key terms, see Glossary section: levels, results, and trends.

For additional description of this Item, see Item Descriptions and Comments section.

7.2 Financial and Market Results (125 pts.) **Results**

Summarize your organization's key financial and marketplace performance results by market segments, as appropriate. Include appropriate comparative data.

Provide data and information to answer the following questions:

a. Financial and Market Results

(1) What are your current levels and trends in key measures/indicators of financial performance, including aggregate measures of financial return and/or economic value, as appropriate?

(2) What are your current levels and trends in key measures/indicators of marketplace performance, including market share/position, business growth, and new markets entered, as appropriate?

Notes:

N1. Responses to 7.2a(1) might include aggregate measures such as return on investment (ROI), asset utilization, operating margins, profitability, profitability by market/customer segment, liquidity, debt to equity ratio, value added per employee, and financial activity measures.

N2. New markets entered (7.2a[2]) might include offering Web-based services.

For additional description of this Item, see Item Descriptions and Comments section.

7.3 Human Resource Results (80 pts.)

Results

Summarize your organization's key human resource results, including employee well-being, satisfaction, and development and work system performance. Segment your results to address the diversity of your workforce and the different types and categories of employees, as appropriate. Include appropriate comparative data.

Provide data and information to answer the following questions:

a. Human Resource Results

(1) What are your current levels and trends in key measures/indicators of employee well-being, satisfaction and dissatisfaction, and development?

(2) What are your current levels and trends in key measures/indicators of work system performance and effectiveness?

Notes:

N1. Results reported in this Item should relate to activities described in Category 5. Your results should be responsive to key process needs described in Category 6 and to your organization's action plans and human resource plans described in Item 2.2.

N2. For appropriate measures of employee well-being and satisfaction (7.3a[1]), see Notes to Item 5.3. Appropriate measures/indicators of employee development might include innovation and suggestion rates, courses completed, learning, on-the-job performance improvements, and cross-training rates.

N3. Appropriate measures/indicators of work system performance and effectiveness (7.3a[2]) might include job and job classification simplification, job rotation, work layout, and changing supervisory ratios.

For additional description of this Item, see Item Descriptions and Comments section.

7.4 Organizational Effectiveness Results (120 pts.)

Results

Summarize your organization's key performance results that contribute to the achievement of organizational effectiveness. Include appropriate comparative data.

Provide data and information to answer the following questions:

a. Operational Results

(1) What are your current levels and trends in key measures/indicators of the operational performance of key design, production, delivery, business, and support processes? Include productivity, cycle time, supplier/partner performance, and other appropriate measures of effectiveness and efficiency.

(2) What are your results for key measures/indicators of accomplishment of organizational strategy?

b. Public Responsibility and Citizenship Results

What are your results for key measures/indicators of regulatory/legal compliance and citizenship?

Notes:

N1. Results reported in 7.4a should address your key operational requirements and progress toward accomplishment of your key organizational performance goals as presented in the Organizational Profile and in Items 1.1, 2.2, 6.1, 6.2, and 6.3. Include results not reported in Items 7.1, 7.2, and 7.3.

N2. Regulatory and legal compliance results reported in 7.4b should address requirements described in Item 1.2.

N3. Results reported in Item 7.4 should provide key information for analysis (Item 4.1) and review (Item 1.1) of your organizational performance and should provide the operational basis for customer-focused results (Item 7.1) and financial and market results (Item 7.2).

For additional description of this Item, see Item Descriptions and Comments section.

Business Results (Category 7): ITEM DESCRIPTIONS AND COMMENTS

The Business Results Category provides a results focus that encompasses your customers' evaluation of your organization's products and services, your overall financial and market performance, and results of all key processes and process improvement activities. Through this focus, the Criteria's purposes – superior value of offerings as viewed by your customers and the marketplace, superior organizational performance as reflected in your operational and financial indicators, and organizational and personal learning – are maintained. Category 7 thus provides "realtime" information (measures of progress) for evaluation and improvement of processes, products, and services, in alignment with your overall organizational strategy. Item 4.1 calls for analysis of business results data and information to determine your overall organizational performance.

7.1 Customer-Focused Results

Purpose

This Item examines your organization's customer-focused performance results, with the aim of demonstrating how well your organization has been satisfying your customers and delivering product and service quality that lead to satisfaction, loyalty, and positive referral.

Requirements

You are asked to provide current levels, trends, and appropriate comparisons for key measures/indicators of customer satisfaction and dissatisfaction, including comparisons with your competitors' levels of customer satisfaction. You are asked to provide data and information on customer loyalty (retention), positive referral, and customer-perceived value.

You also are asked to provide levels and trends in key measures/indicators of product and service performance. Such results should be for key drivers of your customers' satisfaction and retention.

Comments

- This Item focuses on the creation and use of all relevant data to determine and help predict your organization's performance as viewed by your customers. Relevant data and information include customer satisfaction and dissatisfaction; retention, gains, and losses of customers and customer accounts; customer complaints and warranty claims; customer-perceived value based on quality and price; customer assessment of access and ease of use (including courtesy in service interactions); and awards, ratings, and recognition from customers and independent rating organizations.

- This Item includes measures of product and service performance that serve as indicators of customers' views and decisions relative to future purchases and relationships. These measures of product and service performance are derived from customer-related information gathered in Items 3.1 and 3.2

- Product and service measures appropriate for inclusion might be based upon the following: internal quality measurements, field performance of products, data collected from your customers by other organizations on ease of use or other attributes, or customer surveys on product and service performance.

- The correlation between product/service performance and customer indicators is a critical management tool with multiple uses: (1) defining and focusing on key quality and customer requirements; (2) identifying product/service differentiators in the marketplace; and (3) determining cause-effect relationships between your product/service attributes and evidence of customer satisfaction and loyalty, as well as positive referrals. The correlation might reveal emerging or changing market segments, the changing importance of requirements, or even the potential obsolescence of offerings.

7.2 Financial and Market Results

Purpose

This Item examines your organization's financial and market results, with the aim of understanding your market-place challenges and opportunities.

Requirements

You are asked to provide levels, trends, and appropriate comparisons for key financial, market, and business indicators. Overall, these results should provide a complete picture of your financial and marketplace success and challenges.

Comments

- Measures reported in this Item are those usually tracked by senior leadership on an ongoing basis to assess your organization's performance.

- Appropriate financial measures and indicators might include revenue, profits, market position, cash-to-cash cycle time, earnings per share, and returns. Marketplace performance measures might include market share, measures of business growth, new product and geographic markets entered (including exports), entry into e-commerce markets, and the percentage of sales derived from new products.

7.3 Human Resource Results

Purpose

This Item examines your organization's human resource results, with the aim of demonstrating how well your organization has been creating and maintaining a positive, productive, learning, and caring work environment for all employees.

Requirements

You are asked to provide current levels, trends, and appropriate comparisons for key measures/indicators of employee well-being, satisfaction, dissatisfaction, and development.

You also are asked to provide data and information on the performance and effectiveness of your organization's work system.

Comments

- Results reported might include generic or organization-specific factors. Generic factors might include safety, absenteeism, turnover, satisfaction, and complaints (grievances). For some measures, such as absenteeism and turnover, local or regional comparisons might be appropriate.

- Organization-specific factors are those you assess for determining your employees' well-being and satisfaction. These factors might include the extent of training or cross-training or the extent and success of self-direction.

- Results measures reported for work system performance might include improvement in job classification, job rotation, work layout, and local decision making. Results reported might include input data, such as extent of training, but the main emphasis should be on data that show effectiveness of outcomes.

7.4 Organizational Effectiveness Results

Purpose

This Item examines your organization's other key operational performance results, with the aim of achieving organizational effectiveness, attaining key organizational goals, and demonstrating good organizational citizenship.

Requirements

You are asked to provide current levels, trends, and appropriate comparisons for key measures/indicators of operational and strategic performance that support the ongoing achievement of results reported in Items 7.1 through 7.3.

You are also asked to provide data and information on your organization's regulatory/legal compliance and citizenship.

Comments

- This Item encourages your organization to develop and include unique and innovative measures to track business development and operational improvement. However, all key areas of business and operational performance should be evaluated by measures that are relevant and important to your organization.

- Measures/indicators of operational effectiveness and efficiency might include reduced emission levels, waste stream reductions, by-product use, and recycling; internal responsiveness indicators such as cycle times, production flexibility, lead times, set-up times, and time to market; business-specific indicators such as innovation rates and increased use of e-technology, product/process yields, and delivery performance to request; supply chain indicators such as reductions in inventory and/or incoming inspections, increases in quality and productivity, improvements in electronic data exchange, and reductions in supply chain management costs; third-party assessment results such as ISO 9000 audits; and indicators of strategic goal achievement.

- Measures should include environmental and regulatory compliance and noteworthy achievements in these areas, as appropriate. Results also should include indicators of support for key communities and other public purposes.

- If your organization has received sanctions or adverse actions under law, regulation, or contract during the past three years, the incidents and their current status should be summarized.

GLOSSARY OF KEY TERMS

This Glossary of Key Terms defines and briefly describes terms used throughout the Criteria booklet that are important to performance management.

Action Plans

The term "action plans" refers to specific actions that respond to short- and longer-term strategic objectives. Action plans include details of resource commitments and time horizons for accomplishment. Action plan development represents the critical stage in planning when strategic objectives and goals are made specific so that effective, organization-wide understanding and deployment are possible. In the Criteria, deployment of action plans includes creation of aligned measures for work units. Deployment might also require specialized training for some employees or recruitment of personnel.

An example of a strategic objective for a supplier in a highly competitive industry might be to develop and maintain a price leadership position. Action plans likely would entail design of efficient processes and creation of an accounting system that tracks activity-level costs, aligned for the organization as a whole. Performance requirements might include unit and/or team training in setting priorities based upon costs and benefits. Organizational-level analysis and review likely would emphasize productivity growth, cost control, and quality.

Alignment

The term "alignment" refers to consistency of plans, processes, information, resource decisions, actions, results, analysis, and learning to support key organization-wide goals. Effective alignment requires a common understanding of purposes and goals and use of complementary measures and information for planning, tracking, analysis, and improvement at three levels: the organizational level, the key process level, and the work unit level.

Analysis

The term "analysis" refers to an examination of facts and data to provide a basis for effective decisions. Analysis often involves the determination of cause-effect relationships. Overall organizational analysis guides process management toward achieving key business results and toward attaining strategic objectives.

Despite their importance, individual facts and data do not usually provide an effective basis for actions or setting priorities. Actions depend on an understanding of relationships, derived from analysis of facts and data.

Anecdotal

The term "anecdotal" refers to process information that lacks specific methods, measures, deployment mechanisms, and evaluation/improvement/learning factors. Anecdotal information frequently uses examples and describes individual activities rather than systematic processes.

An anecdotal response to how senior leaders deploy performance expectations might describe a specific occasion when a senior leader visited all company facilities. On the other hand, a systematic approach might describe the communication methods used by all senior leaders to deliver performance expectations on a regular basis, the measures used to assess effectiveness of the methods, and the tools and techniques used to evaluate and improve the communication methods.

Approach

The term "approach" refers to how an organization addresses the Baldrige Criteria Item requirements, i.e., the methods and processes used by the organization. Approaches are evaluated on the basis of the appropriateness of the methods/processes to the Item requirements, the effectiveness of their use, and their alignment with organizational needs. For further description, see the Scoring System on page 73-74.

Basis Requirements

The term "basic requirements" refers to the most central theme of an Item. Basic requirements are the fundamental or essential requirements of that Item.

In the Criteria, the basic requirements of each Item are presented as an introductory sentence(s) printed in bold. This presentation is illustrated in the Item format shown on page 78.

Benchmarks

The term "benchmarks" refers to processes and results that represent best practices and performance for similar activities, inside or outside an organization's industry. Organizations engage in benchmarking activities to understand the current dimensions of world-class performance and to achieve discontinuous (nonincremental) or breakthrough improvement.

Benchmarks are one form of comparative data. Other comparative data organizations might use include industry data collected by a third party (frequently industry averages), data on competitors' performance, and comparisons with similar organizations in the same geographic area.

Cycle Time

The term "cycle time" refers to the time required to fulfill commitments or to complete tasks. Time measurements play a major role in the Criteria because of the great importance of time performance to improving competitiveness. "Cycle time" refers to all aspects of time performance. Cycle time improvement might include time to market, order fulfillment time, delivery time, changeover time, customer response times, and other key measures of time.

Deployment

The term "deployment" refers to the extent to which an organization's approach is applied to the requirements of a Baldrige Criteria Item. Deployment is evaluated on the basis of the breadth and depth of application of the approach to relevant processes and work units throughout the organization. For further description, see the Scoring System on page 73.

Effective

The term "effective" refers to how well an approach, a process, or a measure addresses it intended purpose. Determining effectiveness requires the evaluation of how well a need is met by the approach taken, its deployment, or the measure used.

Empowerment

The term "empowerment" refers to giving employees the authority and responsibility to make decisions and take actions. Empowerment results in decisions being made closest to the "front line," where work-related knowledge and understanding reside.

Empowerment is aimed at enabling employees to satisfy customers on first contact, to improve processes and increase productivity, and to better the organization's business results. Empowered employees require information to make appropriate decisions; thus, an organizational requirement is to provide that information in a timely and useful way.

Goals

The term "goals" refers to a future condition or performance level that one intends to attain. Goals can be both short term and longer term. Goals are ends that guide actions. Quantitative goals, frequently referred to as "targets," include a numerical point or range. Targets might be projections based on comparative and/or competitive data. The term "stretch goals" refers to desired major, discontinuous (nonincremental) or breakthrough improvements, usually in areas most critical to your organization's future success.

Goals can serve many purposes, including

- clarifying strategic objectives and actions plans to indicate how success will be measured
- fostering teamwork by focusing on a common end
- encouraging "out-of-the-box" thinking to achieve a stretch goal
- providing a basis for measuring and accelerating progress

High-Performance Work

The term "high-performance work" refers to work approaches used to *systematically* pursue ever higher levels of overall organizational and individual performance, including quality, productivity, innovation rate, and cycle time performance. High-performance work results in improved service for customers and other stakeholders.

Approaches to high-performance work vary in form, function, and incentive systems. Effective approaches frequently include cooperation between management and the workforce, which may involve workforce bargaining units; cooperation among work units, often involving teams; self-directed responsibility/employee empowerment; employee input to planning; individual and organizational skill building and learning; learning from other organizations; flexibility in job design and work assignments; a flattened organizational structure, where decision making is decentralized and decisions are made closest to the "front line"; and effective use of performance measures, including comparisons. Many high-performance work systems use monetary and nonmonetary incentives based upon factors such as organizational performance, team and/or individual contributions, and skill building. Also, high-performance work approaches usually seek to align the organization's structure, work, jobs, employee development, and incentives.

How

The term "how" refers to the processes that an organization uses to accomplish its mission requirements. In responding to "how" questions in the Approach-Deployment Item requirements, process descriptions should include information such as methods, measures, deployment, and evaluation/improvement/learning factors.

Innovation

The term "innovation" refers to making meaningful change to improve products, services, and/or processes and create new value for stakeholders. Innovation involves the adoption of an idea, process, technology, or product that is either new or new to its proposed application.

Successful organizational innovation is a multistep process that involves development and knowledge sharing, a decision to implement, implementation, evaluation, and learning. Although innovation is often associated with technological innovation, it is applicable to all key organizational processes that would benefit from change, whether through breakthrough improvement or change in approach or outputs.

Integration

The term "integration" refers to the harmonization of plans, processes, information, resource decisions, actions, results, analysis, and learning to support key organization-wide goals. Effective integration is achieved when the individual components of a performance management system operate as a fully interconnected unit.

Leadership System

The term "leadership system" refers to how leadership is exercised, formally and informally, throughout the organization – the basis for and the way that key decisions are made, communicated, and carried out. It includes structures and mechanisms for decision making; selection and development of leaders and managers; and reinforcement of values, directions, and performance expectations.

An effective leadership system respects the capabilities and requirements of employees and other stakeholders, and it sets high expectations for performance and performance improvement. It builds loyalties and teamwork based on the organization's values and the pursuit of shared goals. It encourages and supports initiative and appropriate risk taking, subordinates organization to purpose and function, and avoids chains of command that require long decision paths. An effective leadership system includes the mechanisms for the leaders to conduct a self-examination, receive feedback, and improve.

Levels

The term "levels" refers to numerical information that places or positions an organization's results and performance on a meaningful measurement scale. Performance levels permit evaluation relative to past performance, projections, goals and appropriate comparisons.

Measures and Indicators

The term "measures and indicators" refers to numerical information that quantifies input, output, and performance dimensions of processes, products, services, and the overall organization (outcomes). Measures and indicators might be simple (derived from one measurement) or composite.

The Criteria do not make a distinction between measures and indicators. However, some users of these terms prefer the term indicator (1) when the measurement relates to performance but is not a direct measure of such performance (e.g., the number of complaints is an indicator of dissatisfaction but not a direct measure of it) and (2) when the measurement is a predictor ("leading indicator") of some more significant performance (e.g., increased customer satisfaction might be a leading indicator of market share gain).

There are five types of measures as identified in the MFR process: 1) *inputs*- resources used: 2) *outputs*- the amount of goods and services provided, number of activities completed; 3) *outcomes*- address the results an organization achieves and the benefits customers get from the organization; 4) *efficiency*-indicates how well an organization uses resources to produce goods or services; and 5) *quality*- reflects the effectiveness in meeting the expectations of customers and stakeholders, and in meeting program objectives. It includes reliability, accuracy, courtesy, competence, responsiveness, and completeness associated with the products or services provided.

Performance

The term "performance" refers to output results obtained from processes, products, and services that permit evaluation and comparison relative to goals, standards, past results, and other organizations. Performance might be expressed in nonfinancial and financial terms.

The Baldrige Criteria address three types of performance: (1) customer-focused, including key product and service performance; (2) financial and marketplace; and (3) operational.

"Customer-focused performance" refers to performance relative to measures and indicators of customers' perceptions, reactions, and behaviors and to measures and indicators of product and service characteristics important to customers. Examples include customer retention, complaints, customer survey results, product reliability, on-time delivery, customer-experienced defect levels, and service response time.

"Financial and marketplace performance" refers to performance relative to measures of cost, revenue, and market position, including asset utilization, asset growth, and market share. Examples include returns on investments, value added per employee, debt to equity ratio, returns on assets, operating margins, cash-to-cash cycle time, other profitability and liquidity measures, and market gains.

"Operational performance" refers to organizational, human resource, and supplier performance relative to effectiveness and efficiency measures and indicators. Examples include cycle time, productivity, waste reduction, regulatory compliance, and community involvement. Operational performance might be measured at the work unit level, key process level, and organizational level.

Performance Excellence

The term "performance excellence" refers to an integrated approach to organizational performance management that results in (1) delivery of ever-improving value to customers, contributing to marketplace success; (2) improvement of overall organizational effectiveness and capabilities; and (3) organizational and personal learning. The Baldrige Criteria for Performance Excellence provide a framework and an assessment tool for understanding organizational strengths and opportunities for improvement and thus for guiding planning efforts.

Performance Projections

The term "performance projections" refers to estimates of future performance or goals for future results. Projections may be inferred from past performance, may be based on competitors' performance, or may be predicted based on changes in a dynamic marketplace. Projections integrate estimates of your organizations' rate of improvement and change, and they may be used to indicate where breakthrough improvement or change is needed. Thus, performance projections serve as a key planning management tool.

Process

The term "process" refers to linked activities with the purpose of producing a product or service for a customer (user) within or outside the organization. Generally, processes involve combinations of people, machines, tools, techniques, and materials in a systematic series of steps or actions. In some situations, processes might require adherence to a specific sequence of steps, with documentation (sometimes formal) of procedures and requirements, including well-defined measurement and control steps.

In many service situations, particularly when customers are directly involved in the service, process is used in a more general way, i.e., to spell out what must be done, possibly including a preferred or expected sequence. If a sequence is critical, the service needs to include information to help customers understand and follow the sequence. Service processes involving customers also require guidance to the providers of those services on handling contingencies related to customers' likely or possible actions or behaviors.

In knowledge work such as strategic planning, research, development, and analysis, process does not necessarily imply formal sequences of steps. Rather, process implies general understandings regarding competent performance such as timing, options to be included, evaluation, and reporting. Sequences might arise as part of these understandings.

Productivity

The term "productivity" refers to measures of the efficiency of resource use.

Although the term often is applied to single factors such as staffing (labor productivity), machines, materials, energy, and capital, the productivity concept applies as well to the total resources used in producing outputs. The use of an aggregate measure of overall productivity allows a determination of whether the net effect of overall changes in a process—possibly involving resource tradeoffs—is beneficial.

Purpose

The term "purpose" refers to the fundamental reason that an organization exists. The primary role of purpose is to inspire an organization and guide its setting of values. Purpose is generally broad and enduring. Two organizations in different businesses could have similar purposes, and two organizations in the same business could have different purposes.

Results

The term “results” refers to outcomes achieved by an organization in addressing the requirements of a Baldrige Criteria Item. Results are evaluated on the basis of current performance; performance relative to appropriate comparisons; the rate, breadth, and importance of performance improvements; and the relationship of results measures to key organizational performance requirements. For further description, see the Scoring System on page 73.

Senior Leaders

The term “senior leaders” refers to an organization’s senior management group or team. In many organizations, this consists of the head of the organization and his or her direct reports.

Stakeholders

The term “stakeholders” refers to all groups that are or might be affected by an organization’s products, services, and actions. Examples of key stakeholders include customers, employees, partners, stockholders, and local/professional communities.

Strategic Challenges

The term “strategic challenges” refers to those pressures that exert a decisive influence on an organization’s likelihood of future success. These challenges frequently are driven by an organization’s future competitive position relative to other providers of similar products or services. While not exclusively so, strategic challenges generally are externally driven. However, in responding to externally driven strategic challenges, an organization may face internal strategic challenges.

External strategic challenges may relate to customer or market needs/expectations; product/service or technological changes; or financial, societal, and other risks. Internal strategic challenges may relate to an organization’s capabilities or its human and other resources.

See the definition of “strategic objectives” for the relationship between strategic challenges and the strategic objectives an organization articulates to address key challenges.

Strategic Objectives

The term “strategic objectives” refers to an organization’s articulated aims or responses to address major change/ improvement, competitiveness issues, and/or business advantages. Strategic objectives generally are focused externally and relate to significant customer, market, product/service, or technological opportunities and challenges (strategic challenges). Broadly stated, they are what an organization must achieve to remain or become competitive. Strategic objectives set an organization’s longer-term directions and guide resource allocations and redistributions.

Systematic

The term “systematic” refers to approaches that are repeatable and use data and information so that improvement and learning are possible. In other words, approaches are systematic if they build in the opportunity for evaluation and learning and thereby permit a gain in maturity. For use of the term, see the Scoring Guidelines on page 73.

Trends

The term “trends” refers to numerical information that shows the direction and rate of change for an organization’s results. Trends provide a time sequence of organizational performance.

A minimum of three data points generally is needed to begin to ascertain a trend. The time period for a trend is determined by the cycle time of the process being measured. Shorter cycle times demand more frequent measurement, while longer cycle times might require longer periods before a meaningful trend can be determined.

Examples of trends called for by the Criteria include data related to customer and employee satisfaction and dissatisfaction results, product and service performance, financial performance, marketplace performance, and operational performance, such as cycle time and productivity.

Value

The term "value" refers to the perceived worth of a product, service, process, asset, or function relative to cost and relative to possible alternatives.

Organizations frequently use value considerations to determine the benefits of various options relative to their costs, such as the value of various product and service combinations to customers. Organizations need to understand what different stakeholder groups value and then deliver value to each group. This frequently requires balancing value for customers and other stakeholders, such as stockholders, employees, and the community.

Vision

The term "vision" refers to the desired future state of an organization. The vision describes where an organization is headed, what it intends to be, or how it wishes to be perceived.

Work Systems

The term "work systems" refers to how your employees are organized into formal or informal units; how job responsibilities are managed; and your processes for compensation, employee performance management, recognition, communication, hiring, and succession planning. Organizations design work systems to align their components to enable and encourage all employees to contribute effectively and to the best of their ability.

SCORING SYSTEM

Evaluation Scoring Guidelines

There is a team composed of approximately 25 Examiners selected from business, professional and trade associations, universities, and government. All members are recognized experts in the continuous quality improvement and performance improvement fields. When assigning Examiners to review applications, the experience and industry background of the Examiners are matched, to the greatest degree possible, to the applicant organization, provided there is no conflict of interest.

There is a five stage review process used by the Examiners:

Stage 1:	Independent review and evaluation of each application by at least 5 Examiners.
Stage 2:	Consensus review and evaluation for all applications.
Stage 3:	Site Visits conducted at selected candidate applicant organizations, if applicable.
Stage 4:	Examiners review overall applicant information, make recommendations for recognition levels and provide feedback report.
Stage 5:	Judges/Lead Examiners make the final decision when there are conflicts between scoring evaluation by the team of Examiners.

Responses in each of the categories are intended to provide the Examiners with sufficient detail about an organization in order to permit them to reach consensus on its progress in the journey to performance excellence. In return, the Examiners will provide comments that can be used by the applicant as an independent assessment to identify gaps in the organization's performance. This will allow the organization to prioritize and plan for future improvements that will move it further along on the journey. Remember, as organizations improve, their customers will raise the bar of performance expectations, which should cause a continual rise in the level of performance. This evaluation is intended to assist organizations in this improvement process.

The system is used by the Examiners to provide feedback and make recommendations for recognition if applicable. The supporting material is also useful for those organizations using the criteria as a self-assessment tool.

The scoring of responses to Criteria Items (Item) and applicant feedback are based on three evaluation dimensions: (1) Approach; (2) Deployment; and (3) Results. Criteria users need to furnish information relating to these dimensions. Specific factors for these dimensions are described below. Scoring Guidelines are given in the Scoring Guidelines section in this appendix.

Approach

"Approach" refers to how you address the Item requirements—the method(s) used. The factors used to evaluate approaches include

- the appropriateness of the methods to the requirements
- the effectiveness of use of the methods and the degree to which the approach
    - is repeatable, integrated, and consistently applied
    - embodies evaluation/improvement/learning cycles
    - is based on reliable information and data
- alignment with your organizational needs
- evidence of beneficial innovation and change

Deployment

"Deployment" refers to the *extent* to which your approach is applied. The factors used to evaluate deployment include

- use of the approach in addressing Item requirements relevant and important to your organization
- use of the approach by all appropriate work units

Results

"Results" refers to *outcomes* in achieving the requirements given in Items 7.1–7.4. The factors used to evaluate results include

- your current performance
- your performance relative to appropriate comparisons and/or benchmarks
- rate and breadth of your performance improvements
- linkage of your results measures to important customer, market, process, and action plan performance requirements identified in your Organizational Profile and in Approach-Deployment Items

Item Classification and Scoring Dimensions

Items are classified according to the kinds of information and/or data you are expected to furnish relative to the three evaluation dimensions given above.

The two types of Items and their designations are:

1. Approach-Deployment **Approach – Deployment**

2. Results **Results**

Approach and Deployment are linked to emphasize that descriptions of Approach should always indicate the Deployment—consistent with the *specific requirements* of the Item. Although Approach and Deployment dimensions are linked, feedback to applicants reflects strengths and/or opportunities for improvement in either or both dimensions.

Results Items call for data showing performance levels, relevant comparative data, and improvement trends for key measures/indicators of organizational performance. Results Items also call for data on breadth of performance improvements, i.e., on how widespread your improvement results are. This is directly related to the Deployment dimension; if improvement processes are widely deployed, there should be corresponding results. A score for a Results Item is thus a composite based upon overall performance, taking into account the rate and breadth of improvements and their importance. (See next section)

"Importance" as a Scoring Factor

The three evaluation dimensions described previously are critical to evaluation and feedback. However, another critical consideration in evaluation and feedback is the importance of your reported Approach, Deployment, and Results to your key business factors. The areas of greatest importance should be identified in your Organizational Profile and in Items such as 2.1, 2.2, 3.1, 6.1, 6.2, and 7.4. Your key customer requirements and key strategic objectives and action plans are particularly important.

Assignment of Scores to Your Responses

Examiners observe the following guidelines in assigning scores to applicant responses:

- All Areas to Address should be included in your Item response. Also, responses should reflect what is important to the organization.

- In assigning a score to an Item, the Examiners first decide which scoring range (e.g., 50 percent to 60 percent) best fits the overall Item response. Overall "best fit" does not require total agreement with each of the statements for that scoring range. Actual score within the range depends upon an Examiner's judgment of the closeness of the Item response in relation to the statements in the next higher and next lower scoring ranges.

- An Approach-Deployment Item score of 50 percent represents an approach that meets the overall objectives of the Item and that is deployed to the principal activities and work units covered in the Item. Higher scores reflect maturity (cycles of improvement), integration, and broader deployment.

- A Results Item score of 50 percent represents a clear indication of improvement trends and/or good levels of performance in the principal results areas covered in the Item. Higher scores reflect better improvement rates and/or levels of performance, better comparative performance, and broader coverage and integration with business requirements.

SCORING GUIDELINES

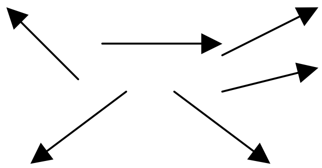
SCORE	APPROACH-DEPLOYMENT
0%	• No systematic approach is evident; information is anecdotal.
10% to 20%	• The beginning of a systematic approach to the basic purposes of the Item is evident. • Major gaps exist in deployment that would inhibit progress in achieving the basic purposes of the Item. • Early stages of a transition from reacting to problems to a general improvement orientation are evident.
30% to 40%	• An effective, systematic approach, responsive to the basic purposes of the Item, is evident. • The approach is deployed, although some areas or work units are in early stages of deployment. • The beginning of a systematic approach to evaluation and improvement of basic Item processes is evident.
50% to 60%	• An effective, systematic approach, responsive to the overall purposes of the Item and your key business requirements, is evident. • The approach is well deployed, although deployment may vary in some areas or work units. • A fact-based, systematic evaluation and improvement process is in place for improving the efficiency and effectiveness of key processes. • The approach is aligned with your basic organizational needs identified in the other Criteria Categories.
70% to 80%	• An effective, systematic approach, responsive to the multiple requirements of the Item and your current and changing business needs, is evident. • The approach is well deployed, with no significant gaps. • A fact-based, systematic evaluation and improvement process and organizational learning/sharing are key management tools; there is clear evidence of refinement and improved integration as a result of organizational-level analysis and sharing. • The approach is well integrated with your organizational needs identified in the other Criteria Categories.
90% to 100%	• An effective, systematic approach, fully responsive to all the requirements of the Item and all your current and changing business needs, is evident. • The approach is fully deployed without significant weaknesses or gaps in any areas or work units. • A very strong, fact-based, systematic evaluation and improvement process and extensive organizational learning/sharing are key management tools; strong refinement and integration, backed by excellent organizational-level analysis and sharing, are evident. • The approach is fully integrated with your organizational needs identified in the other Criteria Categories.

SCORE	RESULTS
0%	▪ There are no results or poor results in areas reported.
10% to 20%	▪ There are some improvements *and/or* early good performance levels in a few areas. ▪ Results are not reported for many to most areas of importance to your organization's key business requirements.
30% to 40%	• Improvements *and/or* good performance levels are reported in many areas of importance to your organization's key business requirements. • Early stages of developing trends and obtaining comparative information are evident. • Results are reported for many to most areas of importance to your organization's key business requirements.
50% to 60%	• Improvement trends *and/or* good performance levels are reported for most areas of importance to your organization's key business requirements. • No pattern of adverse trends and no poor performance levels are evident in areas of importance to your organization's key business requirements. • Some trends *and/or* current performance levels—evaluated against relevant comparisons *and/or* benchmarks—show areas of strength and/or good to very good relative performance levels. • Business results address most key customer, market, and process requirements.
70% to 80%	• Current performance is good to excellent in areas of importance to your organization's key business requirements. • Most improvement trends *and/or* current performance levels are sustained. • Many to most trends *and/or* current performance levels—evaluated against relevant comparisons *and/or* benchmarks—show areas of leadership and very good relative performance levels. • Business results address most key customer, market, process, and action plan requirements.
90% to 100%	• Current performance is excellent in most areas of importance to your organization's key business requirements. • Excellent improvement trends *and/or* sustained excellent performance levels are reported in most areas. • Evidence of industry and benchmark leadership is demonstrated in many areas. • Business results fully address key customer, market, process, and action plan requirements.

*For definitions of the following **key terms**, see Glossary section: anecdotal, basic requirements, integration, multiple requirements, overall requirements, and systematic*

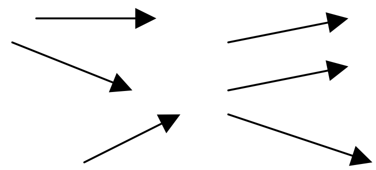
Steps toward a Mature Process Approach
An Aid for Scoring Approach-Deployment Items

(1) Reacting to Problems



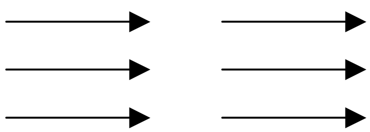
Operations are characterized by activities rather than by processes, and they are largely responsive to immediate needs or problems.

(2) Early Systematic Approach



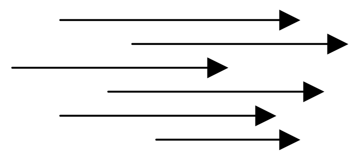
The organization is at the beginning stages of conducting operations by processes with repeatability, evaluation and improvement, and some coordination among organizational units.

(3) Aligned Approach



Operations are characterized by processes that are repeatable and regularly evaluated for improvement, with learnings shared and with coordination among organizational units.

(4) Integrated Approach



Operations are characterized by processes that are repeatable and regularly evaluated for change and improvement in collaboration with other affected units. Efficiencies across units are sought and achieved.

Additional State Resources:

1. Continuous Quality Improvement - Building for Success Guidebook - CQI Center and Governor's Quality Council *(Currently being revised with release date during 2002)*
   410-767-4754

2. Managing for Results Guidebook - Department of Budget and Management and MFR Steering Committee
   410-767-4754

3. Performance Planning and Evaluation Program User's Handbook - Department of Budget and Management, Employee Development and Training Institute
   410-767-4278

4. Pay for Performance Fact Sheet - Department of Budget and Management, Office of Personnel Services and Benefits
   410-767-4715

5. Collective Bargaining Fact Sheet - Department of Budget and Management, Office of Personnel Services and Benefits
   410-767-4715

6. Governor's Performance Excellence Assessment Program (GPEAP) Handbook – CQI Center
   410-767-4754

7. GPEAP Benchmarks from State Organizations – CQI Center
   410-767-4754

8. ***NEW*** – GPEAP (Baldrige) State Organizations Armchair Assessment Workshop (3 Days Facilitated Agency Assessment) – CQI Center 410-767-4754 or 410-767-4278

9. ***NEW*** – GPEAP (Baldrige Organizational Profile) Online Self-Assessment and Action Planning: Using the Baldrige Organizational Profile for Business – http://www.quality.nist.gov/eBaldrige/Step_One.htm
   CQI Center 410-767-4754

10. ***NEW*** – GPEAP (Baldrige) Moving Maryland Forward… "Are We Making Progress" Survey Assessment – CQI Center 410-767-4754

Optional References:

1. *How to Interpret the Baldrige Criteria for Performance Excellence* by Mark Graham Brown

2. 2002 Criteria for Performance Excellence – United States Department of Commerce, National Institute of Standards and Technology, Baldrige National Quality Program
   - Business
   - Health Care
   - Education

3. The Pocket Guide To The Baldrige Award Criteria by Mark Graham Brown

The 2002 assessment criteria have been improved based upon input from the December 2001 feedback meeting of all 2001 applicant organizations, Governor's Quality Council members, and Examiners. A committee was formed to look at the specific feedback obtained, which assisted them in improving the overall process.

We thank the volunteers who served on this year's committee and gave of their time to support Maryland's Performance Excellence initiative.

2002 Criteria Committee Members

Jerry Frankenfield, External Senior Examiner

Chuck Georgo, External Senior Examiner

Joyce Harper, Department of Health and Mental Hygiene, Internal Examiner

Jackie Knickman, Motor Vehicle Administration, Internal Examiner

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